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General Assembly

FORTY-SEVENTH SESSION

Official Records

SECOND COMMITTEE
28th meeting
held on
Thursday, 5 November 1992
at 10 a.m.
New York

SUMMARY RECORD OF THE 28th MEETING

Chairman:	Mr. PIRIZ-BALLON	(Uruguay)
later:	Mr. GUERRERO (Vice-Chairman)	(Philippines)
later:	Mr. PIRIZ-BALLON (Chairman)	(Uruguay)

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The meeting was called to order at 10.30 a.m.

AGENDA ITEM 86: INTERNATIONAL CONFERENCE ON THE FINANCING OF DEVELOPMENT (A/47/232-S/24025 and Corr.1, A/47/499, A/47/575, A/C.2/47/L.3)

1. Mr. OSSA (Director, Development Policy and Analysis Division, Department of Economic and Social Development), presenting the report of the Secretary-General on the international conference on the financing of development (A/47/575), recalled that, pursuant to General Assembly resolution 46/205, the document had been prepared following consultations and technical discussions with the Bretton Woods institutions and various regional development banks. The Secretariat had also taken into account the important deliberations that had been held on the matter in several forums, such as the eighth session of the United Nations Conference on Trade and Development, the United Nations Conference on Environment and Development and the Development Committee.

2. During the summer session of the Economic and Social Council in 1991, when consideration had first been given to convening a conference, concerns had been expressed that a global shortage of savings was looming, and that international interest rates would as a result rise substantially, exacerbating the problems being faced by developing countries in servicing their external debts and in raising additional funds on international capital markets. There was also concern that, despite commitments to the contrary, official assistance flows to developing countries might suffer as the world's major donors increasingly turned their attention to the needs of countries whose economies were in transition. On the other hand, there seemed to be new opportunities to redirect public resources to development and away from military expenditures, by virtue of the passing of the cold war. In addition, it appeared that the Uruguay Round would soon lead to a general reduction in agricultural and other subsidies, freeing substantial public resources. However, instead of a savings shortage there had been a spending shortage. Accordingly, the Department of Economic and Social Development had asked the major industrialized countries to take measures to accelerate economic growth, while ensuring that it remained sustainable.

3. In the previous two years some developing countries had returned to financial markets, and capital-importing countries had begun to enjoy a net inflow of financial resources for the first time since the onset of the debt crisis in the early 1980s.

4. It was probable, however, that the industrial countries would resume growth in the medium term, and that financial markets might become tighter, making it more difficult for developing countries to mobilize adequate external resources. However, it was certain that the current supply of official concessional resources was inadequate. The developing countries must be assisted in their efforts to eradicate poverty, and countries whose economies were in transition must be assisted to rebuild and enhance their human and physical infrastructure. It was for those reasons that, in his

report, the Secretary-General had called on donor countries to strengthen their aid programmes. The developing countries and countries whose economies were in transition must also be helped in their development efforts and economic reform by redirecting some funds freed by the reduction in military expenditure and agricultural subsidies.

5. While there had been some progress in reducing those expenditures, there were certain very disturbing trends. It was disquieting to note that several countries were seeking to protect domestic jobs by exporting sophisticated weapons. That was not the way to enhance human development. It also seemed that the Uruguay Round was threatened by the deadlock on agricultural subsidies. The solution to the loss of a competitive edge did not lie in subsidies or protection, but in structural adjustment.

6. In the light of those developments, the General Assembly might wish to consider whether it was in fact an appropriate time to convene an international conference on development financing.

7. Mr. Guerrero (Philippines), Vice-Chairman, took the Chair.

General discussion

8. Mr. KHALIQ-UZ-ZAMAN (Pakistan), speaking on behalf of the Group of 77, recalled that it was the Secretary-General who had suggested to the Economic and Social Council the convening of an international conference on development financing. The General Assembly had subsequently adopted resolution 46/205, requesting him to submit a report on the question, prepared in close consultation with the multilateral financial institutions.

9. Development financing was an important issue which had been dealt with in numerous documents and discussed in various forums. There was none the less a need to explore the possibility of convening an international conference thereon, because such a meeting could bring under one umbrella issues that had so far been dealt with piecemeal. Furthermore, the conference should consider the issue of finance in its broadest sense, including the question of macroeconomic surveillance.

10. Convening such a conference was of particular importance in the current context; the sharp contraction in external commercial flows and the stagnation in official development assistance (ODA), which was a long way from the agreed target level of 0.7 per cent of GNP, had had a major adverse impact on the prospects of the developing countries, which were confronting serious financial problems. There must be an increase in capital flows to developing countries in order to reverse the negative transfer of resources.

11. It was equally important to provide additional resources on favourable terms to low-income countries, and in that context it was necessary to increase in real terms the resources available under the tenth replenishment of the International Development Association (IDA). It was also essential to

(Mr. Khaliq-Uz-Zaman, Pakistan)

reduce the developing countries' debt-servicing burden. Finally, there should be significant improvement in the flow of finance for development from major sources, such as official bilateral assistance, lending by commercial banks, direct private investment and assistance from the multilateral financial institutions, without which it would be virtually impossible for the developing countries to increase their rate of growth. That called for a firm commitment on the part of the international community to augment the level of development finance.

12. It was against that backdrop that consideration by the General Assembly of the question of convening an international conference on the financing of development had assumed great importance. Such a conference could lead to the development of a coherent strategy to initiate the requisite deployment of resources in developing countries and to strengthen international financial cooperation for development.

13. Mr. BARDAD-DAIDJ (Algeria) was gratified that the question of convening an international conference on development financing was on the agenda of the forty-seventh session of the General Assembly, as it would make it possible to consider in greater detail the vital issue of the financial resources necessary for world economic recovery. Consideration of that issue came at a time when unexpected changes in international relations presented new opportunities for establishing true multilateral cooperation. The imbalance between the financial resources necessary for development and the total resources available for development had reached unprecedented proportions during the 1980s - a period that had witnessed the new phenomenon of negative tranfers of resources for the purpose of debt service. Those transfers had resulted in excessive drains on the resources of developing countries which had been made ten times worse by a sharp decline in bank loans and a fall in export earnings.

14. Of course, recently that trend had been reversed and, for the first time since 1980, a net inflow of capital to the developing countries on the order of $24 billion was recorded. However, while the new situation had permitted a small number of countries to replenish their reserves, it had had virtually no impact on the developing world as a whole because of continuing deterioration of the terms of trade.

15. In the case of Africa, the increase noted in new resource flows ($7 billion in 1991) was a reflection of the effect of cancelling a portion of the debt rather than real access to sources of external financing. It was therefore necessary to stress the incidental nature of the aforementioned bright spot and the prevailing uncertainty as to its durability. Moreover, the question of development financing remained to be addressed. Indeed, loans granted under debt restructuring and rephasing agreements had not played the catalytic role of encouraging new loans for development and remained the largest component of financial flows, as voluntary loans were still a marginal phenomenon. That point was reinforced by the report of the Secretary-General

(Mr. Bardad-Daidj, Algeria)

on the evolution of the debt strategy, which emphasized that debt reductions of some developing countries had still not produced an effect in terms of new capital contributions.

16. In addition, direct foreign investments remained, on the whole, weak. While the figure for such investments in developing countries had increased - reaching $32 billion, or 17 per cent of total direct foreign investments throughout the world - it remained below what it had been 10 years earlier. For its part, Africa had received only 7 per cent (or $2.2 billion) of the total direct foreign investments in developing countries, an amount half of what it had been in 1989.

17. There had been general stagnation in official development assistance (ODA) which remained insufficient given the enormity of the tasks of development. Increasing ODA so as to reach the target of 0.7 per cent of the GNP of the developed countries was therefore an urgent matter and the tenth replenishment of the International Development Association (IDA) would play a key role in that regard.

18. For Africa, a substantial increase in loans granted on concessional terms was of vital importance; the United Nations had estimated its need for financing to be $30 billion for 1992 alone. That amount should be increased by 4 per cent per year until the end of the decade in order for Africa to reach an economic growth rate of 6 per cent, which was an extremely modest goal.

19. The experience of the 1980s had demonstrated that commercial banks should not be the principal source of development financing. It was therefore time for the international community to envisage concrete steps to mobilize financial flows in support of development and to improve developing countries' access to financial markets. The multilateral financial institutions should be provided with larger means, as they had an important role to play in mobilizing resources. In that context, increasing IMF quotas, and the recently revived proposal to tie the renewal of Special Drawing Rights (SDR) to development financing deserved consideration in that context.

20. The confusion which had appeared in Europe could not but affect the flow of resources traditionally allocated to developing countries. The needs of the former socialist countries were, of course, legitimate, but it was imperative to make sure that steering financial flows into those countries as a result of the changes would not operate to the disadvantage of countries who had benefited from them previously. The magnitude of financing needed for the transition of the central and eastern countries of Europe, for reviving the world economy and for protecting the environment was a measure of the task awaiting the international community with respect to the mobilization and rationalization of resources. It was essential to bring financial resources up to a level commensurate with the needs of development and to make financial flows more stable and more predictable. Steps taken in that direction should be part of a comprehensive effort to ensure fairer participation of developing

(Mr. Bardad-Daidj, Algeria)

countries in the expansion of world trade, as expected from the Uruguay Round and the setting of more remunerative commodity prices.

21. The convening by the forty-seventh session of the General Assembly of an international conference on development financing would be a starting-point for a real strategy aimed at redeploying growth financing and would be an important step towards achieving those goals.

22. Mr. EHLERS (Uruguay) said that while the question of development financing had been considered on a case-by-case basis, particularly at the level of multilateral financial institutions, it had not been debated in a comprehensive and coherent manner, and to date there had been no international consensus regarding the modalities of inter-State cooperation and action to ensure that the allocation of available resources could contribute to balanced and fair development for all countries.

23. Present conditions, as described by the Secretary-General in his report on the issue, hardly inspired optimism. While the flows of resources towards developing countries had grown slightly in real terms in 1991, they still remained much smaller than they had been at the beginning of the 1980s.

24. In examining the trend of the situation with regard to development financing over the past 10 years, he emphasized that the flows of private capital had diminished considerably: loans made by private banks had fallen from $75 billion in 1982 to $9 billion in 1991. Direct foreign investment had grown from $19 billion to $24 billion. Those investments were concentrated on a very small number of countries and were characterized by a high level of instability, as they had been channelled into securities as opposed to investments in production. ODA had practically stagnated in real terms (at a level of approximately 0.34 per cent of GNP despite commitments to meet ODA targets). In addition, the vast majority of developing countries continued to transfer more resources towards developed countries than they received. Despite the progress made in managing the debt crisis, the problem was far from being solved and continued to be an important obstacle to the recovery of developing countries, for which the debt burden was enormous, representing, on average, more than 275 per cent of exports and more than 50 per cent of GNP. For its part, debt service amounted to more than 30 per cent of annual exports and debt interest itself was more than 20 per cent of exports.

25. As the report of the Secretary-General showed, developing countries had to rely on domestic savings in order to achieve progress and to pay off their external debt. The developing countries had made considerable efforts in that area, in particular by reducing their budget deficits, maintaining a macroeconomic balance, creating capital markets and abolishing domestic regulations. A favourable international environment was necessary, however, if they were to achieve adequate growth.

(Mr. Ehlers, Uruguay)

26. The only real source of development financing resources were production and trade. The developed countries should stimulate the international economy by opening up their markets and by guaranteeing a non-inflationary international environment with low interest rates.

27. An international conference such as was being proposed therefore deserved priority attention because it would help to focus discussion on all international development activities. The conference should consider all existing financial sources - bilateral and multilateral assistance, commercial banks, direct foreign investment and ODA. One of its priority objectives should be to ensure that the developing countries benefited from positive financing flows from all those sources. Another objective should be to seek better utilization of available resources. The conference should also make it possible to envisage a major replenishment of the resources of the multilateral institutions, and should give due consideration to the position of the least developed countries.

28. Other questions that deserved attention were military expenditures, which totalled $700 billion a year, and agricultural subsidies which exceeded $300 billion a year, whereas only $80 billion a year would be needed for Latin America to recover its growth levels of the 1960s.

29. It was to be regretted that the Secretary-General's report failed to include the results of his consultations with the multilateral financial institutions on the subject of the proposed meeting. If there were reasons for not holding the conference, or if any other organizations were against convening it, that should have been stated.

30. In any event, even if the international community decided that to hold a conference on the financing of development was not opportune, the issue still remained of capital importance and would have to be dealt with in the context of international cooperation for economic development. The Trade and Development Board of UNCTAD should consider it in the light of the work of the eighth session of UNCTAD. Account should also be taken of the conclusions of the Development Committee of the World Bank and IMF. Only through a comprehensive and integrated analysis of the available resources, means of obtaining them and their rational utilization would the international community be able to achieve the goals it had set itself on numerous occasions.

31. Mr. WIBISONO (Indonesia) said that the advent of the 1990s and the ending of the cold war had brought hopes of increased financial flows for development as a "peace dividend"; in particular, a fresh consensus on multilateral cooperation for development had emerged in several forums, including the eighteenth special session of the General Assembly, the eighth session of UNCTAD and UNCED. Those hopes had, however, been dashed by the Gulf war, the global economic recession and the transition process in Eastern Europe. The combined impact of those events and of competing claims on resources had led to sharp contractions in external flows for development and to stagnation in ODA. More ominous still was the phenomenon of net transfer of resources from

(Mr. Wibisono, Indonesia)

developing countries to developing countries and international institutions, which between 1985 and 1989 had amounted to almost $1,000 billion. A collective effort was needed in order to redress those failures of the international financial system, and the convening of an international conference on the financing of development would contribute towards achieving that goal.

32. In his report on the subject (A/47/575), the Secretary-General analysed the failure of the world financial system to provide adequate resources for development. The policy measures he suggested in response to the problem were to be welcomed. The strengthening of official sources of external financing to stimulate investment was a step in the right direction. It was important, therefore, that States Members should seek to meet their internationally agreed ODA commitments of 0.7 per cent of their GNP.

33. Without a supportive external environment, the best-laid plans and strategies of the developing countries were doomed to failure. The developed countries should therefore reduce interest rates in order to promote non-inflationary growth, and should take steps to resolve the problem of indebtedness which was draining the developing countries of essential resources. A comprehensive and durable solution that would ensure a reduction in the stock and service of debt had to be found.

34. Another set of policy measures would include the redeployment of public resources in developed countries, in particular through cut-backs in military spending and the channelling of resources thus released towards development projects. Increasing the resources of multilateral financial institutions would also strengthen official sources of external financing. In that regard, it was necessary to increase the resources available under the tenth replenishment of the International Development Association, as well as those of the regional banks, the World Bank and the International Monetary Fund.

35. All those considerations could usefully be discussed at the proposed conference on development financing. The international community should make a concerted effort to devise a strategy to strengthen international financial cooperation for development and to mobilize the necessary resources.

36. At their recent summit meeting held in Jakarta, the Heads of State or Government of the Non-Aligned Movement, realizing the importance and urgency of development financing, had endorsed the idea of convening such a conference and had expressed the hope that the General Assembly at its current session would adopt a positive decision on the matter.

37. Mr. DUGAN (United States of America) stressed the growing importance of the geo-economic issues considered in the report of the Secretary-General (A/47/575). Their solution would require the same rational approach on the part of States Members of the United Nations as the approach they had adopted in connection with disarmament.

(Mr. Dugan, United States)

38. Contrary to the impression given in the report, the volume of ODA furnished by the United States over the previous two years had increased and his country still remained the principal donor in that field. According to preliminary statistics of the OECD Committee on Development Aid, the amount of ODA for 1991 had reached $11.5 billion. Moreover, cancellation of the debt of developing countries was also a form of development assistance. Estimates showed that ODA accounted for only 5 per cent of resources used for development financing.

39. Development resource flows were already under close scrutiny in several competent forums, such as the Development Committee of the World Bank and IMF, which had recently completed an analysis of the issue. In May 1993, that Committee was to consider means of increasing private sector flows to developing countries. Furthermore, an appraisal of the implementation of development financing agreements and strategies was being undertaken within the United Nations system itself. His delegation therefore did not consider that convening the proposed conference would constitute a constructive approach.

40. He welcomed the fact that the report took note of his Government's recent decision to increase its contribution to the International Monetary Fund, a step which would allow an increase in Fund lending.

41. Mr. SERSALE DI CERISANO (Argentina) welcomed the excellent report of the Secretary-General (A/47/575), which covered all the variables to be taken into account concerning development financing. Clearly, there were two areas which lent themselves to a redistribution of public resources in the industrialized countries, namely military expenditure and farming subsidies. The latter, in particular, had increased by 5 per cent and represented a sizeable sum which could otherwise be allocated to investment.

42. The report also analysed the question of a world savings shortage. It could be argued that there was no longer any shortage, for, if there were, interest rates would have been raised. If there were, indeed, surplus savings, he wondered what had happened to them, as they had not been used to fuel investment. The United Nations organizations should therefore consider and thoroughly analyse the matter.

43. Concerning the convening of an international conference on the financing of development, his delegation would be flexible. None the less, the question should continue to be studied jointly by the General Assembly, the International Monetary Fund (IMF), the World Bank and UNCTAD. It could, he believed, form the subject of a sub-item on the agenda under the item entitled "International cooperation for economic growth and development".

44. In that regard, he was surprised that, notwithstanding the request made by the General Assembly in resolution 46/205, the Secretary-General's report (A/47/575) made no mention of the convening of the conference. It seemed to imply that the main source of financing for development should be domestic

(Mr. Sersale Di Cerisano, Argentina)

savings in the developing countries; the latter had always allocated such savings to investment. It could not, however, be claimed that those savings would be sufficient to finance development in its entirety. Perhaps the conclusion to be drawn from the Secretary-General's report was that there was no point in convening a conference on that issue. His delegation would be submitting a draft resolution on the overall issue.

45. Mr. JARAMILLO (Colombia) stated that the failure of the developed countries to adopt policies designed to stimulate growth was affecting not only those countries but also the developing countries. The latter, realizing that the solution to their problems depended on structural adjustment, had introduced wide-ranging reforms, but those reforms had not been wholly successful owing to the position adopted by the industrialized countries.

46. Whereas the developing countries had liberalized trade and opened their markets wide to foreign products, the developed countries, on the other hand, were adopting increasingly protectionist measures. Commodity prices, on which the developing countries relied for their foreign currency earnings, had dropped so steeply that the purchasing power of exports was now half what it had been in the early 1980s. That affected the debt repayment and also jeopardized the positive growth recently noted in the net transfer of resources. In that connection, it should be noted that recent capital transfers to Latin American and Caribbean countries were the result of speculation, and as such, they were likely to be reversed as soon as interest rates were raised on the international financial markets.

47. The reduced access to the market of the industrialized countries was compounded by high farming subsidies which contributed to the worsening terms of trade. Elimination of the subsidies would help to get the Uruguay Round negotiations going again and would release considerable resources which could be used for development financing, at a time when official development assistance remained at only 0.34 per cent of the gross national product of the developed countries, or even as low as 0.2 per cent in the case of some of the most highly industrialized countries.

48. Furthermore, it was essential that the privatization process world wide should not produce new imbalances which would only widen the existing gaps. Although the efforts being made to help countries whose economy was in transition were being followed with interest, those efforts should not be made at the expense of the developing countries. New and additional means of financing development should therefore be found.

49. While it was true that some of the fears aroused by the first proposals, in 1991, for the convening of an international conference on the financing of development had failed to materialize, it should nevertheless be borne in mind that the purpose of such a conference was not to find ways of overcoming the effects of the recession, but rather to identify stable and permanent mechanisms which would enable the developing countries to face the structural

(Mr. Jaramillo, Colombia)

problems of growth. The mobilization of resources for development could not be left to market forces, as the problem was, in part, a political one. United Nations bodies were a preferred forum for dialogue, particularly with the multilateral finance institutions. His delegation would therefore continue to advocate the convening of the conference.

50. Mr. MA Zhaoxu (China) welcomed the fact that the issue had been included on the agenda of the Second Committee, as development financing was of crucial importance for economic growth in the developing countries. The recent political and economic upheavals had produced enormous changes in the supply-demand relationship with respect to global resources. New demands had surfaced, bringing with them a shortage of savings and a lack of development resources. The sluggish growth rate of the world economy and trade, plus the persistently high real interest rate, had made the shortage of resources even more acute.

51. The Chinese Government had always supported the convening of a conference on the financing of development. In light of the current situation, it believed that such a meeting was indeed warranted, since a solution to the problem of financial resources for development would help to promote international cooperation in all areas. The conference would in no way prejudice ongoing follow-up activities to the Rio Conference nor the preparatory work for other conferences. On the contrary, it would complement them. A general conference on development financing would facilitate the formulation of principles and guidelines in all areas and provide an overall understanding of needs, while global and regional activities in specific areas, such as the eradication of poverty, would allow scope for the implementation of those principles.

52. The proposal to convene the conference had been made in 1991 at the summer session of the Economic and Social Council by the former Secretary-General and the Group of 77 had subsequently submitted a draft resolution on the issue at the forty-sixth session of the General Assembly. However, although the majority of countries supported the idea, no substantial progress had been made in that direction.

53. Pursuant to General Assembly resolution 46/205, the Secretary-General had held wide-ranging consultations with various multilateral financial institutions, and he deserved to be congratulated, as the active participation of the World Bank and IMF would contribute greatly to the success of the conference. He hoped that those contacts would be followed up and lead to concrete proposals, and that the parties concerned, particularly the developed countries, would display their political will by adopting a constructive attitude during the consultations to be held on the issue at the current session. China, for its part, had resolved to take an active part.

54. Mr. Piriz-Ballon (Uruguay) resumed the Chair.

55. Mr. SINGH (India) recalled that the debate in the Second Committee, the agreements reached at the Rio Conference, the decisions of the eighth session of UNCTAD and the deliberations in the Development Committee, which were the heart of development-related discussions, had all focused on the overriding issue of the financing of development. The latest and most comprehensive sustainable development agenda had been spelt out in Agenda 21, each chapter of which dealt with the issue of providing new and additional resources to developing countries. The Framework Convention on Climate Change went a step further and made implementation of the Convention by the developing countries contingent on the provision of technology and finances by the developed countries. The reason for convening an international conference on the financing of development was not because those issues had not been discussed elsewhere, nor was it to convince developed countries to enhance their efforts. In the view of his delegation, the main reason was to place under one umbrella issues which had been tackled in a piecemeal manner in different conferences, organs, bodies and programmes.

56. He noted that preparation of the Secretary-General's report on the question had been delayed, specifically because consultations with the multilateral financial institutions had been delayed inordinately, thus preventing delegations from giving detailed consideration to the document. In his view, the report itself dwelt too much on explanations of the historical circumstances in which the proposal had been made and on the fact that, given the changed situation, the arguments which had been valid two years earlier were undoubtedly no longer as important.

57. Noting the growing complexity of the economy, he pointed out that the revolution in information technology, changes in the production, marketing and distribution of goods, and the increasing complexity of the international capital and currency markets handicapped and marginalized the developing countries hoping to participate in that process. Those countries were the victims of economic forces which profoundly influenced them, but which were beyond their control. The volatility of exchange rates further increased the unpredictability of the international economic environment. It was more important than ever to strengthen the coordination of monetary policies. It had been argued that such coordination could satisfactorily be effected through existing mechanisms and forums but the inadequacy of existing arrangements had been highlighted, in particular, by the recent currency upheavals in Europe. The proposed conference could therefore consider the issue of financing in its broadest sense, to include the question of macroeconomic surveillance.

58. If a balance sheet were to be drawn up of resource requirements for the realization of the targets and strategies adopted by the United Nations, using estimates prepared by the secretariat of the United Nations Conference on Environment and Development, including the amounts required for poverty alleviation, the figure for annual transfers of concessional and grant resources could be as high as US$ 200 billion, plus an additional amount for domestic resources mobilization, which would remain one of the primary sources for the financing of development.

(Mr. Singh, India)

59. Those issues had been dealt with in a piecemeal fashion during the various conferences and meetings. A general conference focusing on ways of implementing such financing and examining the broader question of macroeconomic surveillance would, however, be an important step towards realizing the ambitious goals set by the international community.

60. That idea required further detailed consideration. Such a decision could not be forced on the international community: instead, a consensus should be reached, based upon an understanding of the interdependence of nations. The developing countries, which hoped to see an increase in grant or concessionary resources, were not seeking charity; the granting of such assistance was in fact mutually advantageous and led to a better understanding of the externalities which were the starting-point for cooperation. By helping the developing countries, the industrialized world would, in fact, be helping itself.

61. Mr. OSSA (Director, Development Policy and Analysis Division, Department of Economic and Social Development), answering points raised during the debate, said that the annex to the Secretary-General's report (A/47/575) summarized the views of multilateral financial institutions. He agreed with the representative of the United States that debt cancellation should be counted as official development assistance (ODA). Finally, he said that the Secretariat would take due account of all the views expressed by delegations.

62. The CHAIRMAN said that the Committee had concluded its consideration of agenda item 86.

AGENDA ITEM 82: EXTERNAL DEBT CRISIS AND DEVELOPMENT (continued)

Draft resolution A/C.2/47/L.16

63. Mr. ZAMAN (Pakistan), speaking on behalf of the Group of 77, introduced the draft resolution on enhanced international cooperation towards a durable solution to the external debt crisis of developing countries (A/C.2/47/L.16). He noted that the external debt crisis remained a serious obstacle to efforts to revitalize economic growth and development, to promote investments and to eliminate poverty. The measures adopted thus far demonstrated how fragmented the actions of the international community had become. The draft resolution proposed, inter alia, urging the international community to consider wider application of innovative measures such as debt-for-equity swaps, debt swaps for the protection of nature and debt-for-development swaps. He hoped that it would be unanimously supported.

AGENDA ITEM 85: INDUSTRIAL DEVELOPMENT COOPERATION AND THE DIVERSIFICATION AND MODERNIZATION OF PRODUCTIVE ACTIVITIES IN DEVELOPING COUNTRIES (continued)

Draft resolution A/C.2/47/L.14

64. Mr. ZAMAN (Pakistan), speaking on behalf of the Group of 77, introduced the draft resolution on industrial development cooperation (A/C.2/47/L.14) and stressed that the issue was one of crucial importance for the developing countries. Underlining the negative impact of the debt crisis and restrictive policies, he reiterated the importance of international cooperation in that area and said that the draft resolution urged the international community, including the United Nations system, to support industrial development programmes and projects, especially in developing countries. He hoped that it would receive the support of all members.

AGENDA ITEM 87: SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE (continued)

(b) SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE (continued)

Draft resolution A/C.2/47/L.15

65. Mr. OULD EL GHAOUTH (Mauritania), speaking on behalf of the African States, introduced draft resolution A/C.2/47/L.15 on assistance for the rehabilitation and reconstruction of Liberia, pointed out that in the English version, the phrase "Economic and Social Commission of Western Asia" in the last preambular paragraph should read "Economic Community of West African States (ECOWAS)". In addition, the word "and" in the third line of paragraph 1 in the English version, should be replaced by the words "as well as appeals by". He appealed to the international community and to intergovernmental and non-governmental organizations to continue to provide emergency assistance to Liberia and to support the programmes and projects identified in the Secretary-General's report (A/47/528) and expressed the hope that the Committee would adopt the draft resolution by consensus.

ORGANIZATION OF WORK

66. The CHAIRMAN said that the open-ended ad hoc working group of the Plenary on agenda item 47 (Restructuring and revitalization of the United Nations in the economic, social and related fields) was holding consultations in parallel with the work of the Second Committee. The ad hoc working group was primarily called upon to review the complementarity of the agendas of the Second and Third Committees and of the Economic and Social Council. He suggested with reference to negotiations on draft resolutions by the two Committees, that provisions concerning the inclusion of items on the agenda or relating to reports to be submitted at future sessions should be placed within square brackets, with a view to avoiding any duplication of or conflict between items on the agendas of the Second and Third Committees and of the Economic and Social Council. The Chairman of the Third Committee had endorsed that proposal.

(The Chairman)

67. He further suggested that consideration of agenda item 89 (a), on the United Nations Institute for Training and Research (UNITAR), which had already been deferred at the request of the United Kingdom (speaking on behalf of the European Community and supported by Pakistan, speaking on behalf of the Group of 77) because of the delay in the publication of the relevant documents, should be postponed to Tuesday, 17 November 1992.

68. It was so decided.

The meeting rose at 12.35 p.m.

UNITED NATIONS

General Assembly

FORTY-SEVENTH SESSION

Official Records

SECOND COMMITTEE
29th meeting
held on
Thursday, 5 November 1992
at 3 p.m.
New York

SUMMARY RECORD OF THE 29th MEETING

Chairman: Mr. PIRIZ-BALLON (Uruguay)

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AGENDA ITEM 79: REPORT OF THE UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT

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Distr. GENERAL
A/C.2/47/SR.29
16 November 1992

ORIGINAL: ENGLISH

The meeting was called to order at 3.15 p.m.

AGENDA ITEM 79: REPORT OF THE UNITED NATIONS CONFERENCE ON ENVIRONMENT AND DEVELOPMENT

1. The CHAIRMAN said that as the general discussion on agenda item 79 entitled "Report of the United Nations Conference on Environment and Development" was still going on in the plenary of the General Assembly, he would propose that the Committee establish an ad hoc open-ended working group on the follow-up to the United Nations Conference on Environment and Development to deal with the item under the chairmanship of Mr. Razali of Malaysia.

2. It was so decided.

The meeting rose at 3.20 p.m.

UNITED NATIONS

General Assembly

FORTY-SEVENTH SESSION

Official Records

SECOND COMMITTEE
30th meeting
held on
Friday, 6 November 1992
at 10 a.m.
New York

SUMMARY RECORD OF THE 30th MEETING

Chairman: Mr. GUERRERO (Philippines)
(Vice-Chairman)

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(b) SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE

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A/C.2/47/SR.30
27 November 1992
ENGLISH
ORIGINAL: FRENCH

In the absence of Mr. Piriz-Ballon (Uruguay), Mr. Guerrero (Philippines), Vice-Chairman, took the Chair.

The meeting was called to order at 11.35 a.m.

AGENDA ITEM 80: PROTECTION OF GLOBAL CLIMATE FOR PRESENT AND FUTURE GENERATIONS OF MANKIND (continued) (A/47/82-S/23512, A/47/120, A/47/225-S/23998, A/47/312-S/24238, A/47/351-S/24357, A/47/391, A/47/449, A/47/466, A/47/564)

AGENDA ITEM 78: DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION (Part III) (continued) (A/47/393, A/47/388)

Conclusion of the general debate

1. Mr. BA (Mali) said that degradation of the soil in arid and semi-arid countries, especially in Africa, was one of the most disastrous effects of drought and desertification. The statistical data contained in the report of the Secretary-General (A/47/393) reflected the scope of the phenomenon. More than 6.1 billion hectares or nearly 40 per cent of the Earth's land area was dryland, and of the 5.2 billion hectares of potentially productive drylands, 84 per cent were prone to desertification and 70 per cent were currently threatened by various forms of land degradation. During the famines which Africa had suffered, particularly in 1991, the populations of the affected areas had owed their survival entirely to international emergency assistance.

2. In the face of the problem, the General Assembly had, as far back as in December 1977, adopted the Plan of Action to Combat Desertification (resolution 32/172). Resolutions 44/228 of December 1989 on the United Nations Conference on Environment and Development and 46/161 had been other important milestones. UNCED had established a new basis for international cooperation in that field by adopting chapter 12 of Agenda 21 entitled "Managing fragile ecosystems: combating desertification and drought", which embodied the concerns of the Plan of Action to Combat Desertification.

3. His delegation attached the greatest importance to the implementation of the provisions of Agenda 21 and thought that a more significant mobilization of resources was called for. The financing of the struggle against drought and desertification should be included among the priority areas of the Global Environment Facility. Mali also greatly appreciated the activities of the United Nations Sudano-Sahelian Office in combating drought and desertification, as well as the support the Office was receiving from UNDP and UNEP in the implementation of its plan of action. The international community would do well to strengthen its assistance to national and subregional institutions engaged in combating drought and desertification. Lastly, an international convention to combat desertification, particularly in Africa, would undoubtedly provide a suitable legal framework for the struggle against that scourge.

4. Ms. DOWSETT (New Zealand) applauded the commitment of United Nations bodies to dealing with the global problem of climate change. Through a number of important resolutions (43/53, 44/206 and 44/207), the General Assembly had enjoined the international community to take emergency action. Through its historic resolution on the protection of global climate for present and future generations of mankind (45/212) it had established an Intergovernmental Negotiating Committee to prepare a framework convention on climate change and, after prolonged and arduous negotiations, that Convention had been adopted and opened for signature at the United Nations Conference on Environment and Development in June 1992.

5. Aware of the potentially disastrous effects of climate change, her country had actively participated in the negotiations leading up to the adoption of the Convention and had signed that instrument at Rio, recognizing that it established a basis for future action. For its part, New Zealand, had already adopted a policy aimed at reducing emissions of carbon dioxide and had begun work on further measures aimed at meeting the objectives of the Convention. It hoped to be able to ratify the Convention within the next two years, and was pleased to learn that it had been ratified by Zimbabwe.

6. Since further preparatory work was required in a number of fields before the first Conference of the Parties, it was essential that the Intergovernmental Negotiating Committee should be accorded the resources it needed, as the Secretary-General pointed out in his report (A/47/466). In that connection, her delegation supported the Secretary-General's suggestion that the General Assembly should authorize the Intergovernmental Negotiating Committee to meet as needed, in 1993 and 1994 to carry out the plan of work in preparation for the first session of the Conference of the Parties to the Convention. In addition, it was desirable that the General Assembly should adopt a resolution empowering the Committee and its secretariat to make solid progress on climate change matters in 1993.

7. New Zealand also welcomed the decision taken at Rio to prepare a convention on combating desertification and drought, in view of the scope and gravity of the problems raised by those scourges.

8. Mr. WANG Xiadong (China) said that dealing with climate change and combating its adverse effects was an extremely important task incumbent upon the international community as a whole. His Government welcomed the fact that, after nearly two years of work, the International Negotiating Committee had definitively adopted the text of the Convention which had been opened for signature at Rio de Janeiro on 4 June 1992 on the occasion of the United Nations Conference on Environment and Development. The Convention had already been signed by some 150 countries, which had thus assumed obligations of a binding nature. That demonstrated the international community's awareness of the urgency of the problem.

9. The Convention represented a first step in the right direction. It should be pointed out that the action envisaged with a view to attenuating the

(Mr. Wang Xiadong, China)

adverse effects of climate change was to be in accordance with the common but differentiated responsibilities and respective capabilities of the parties. It was to be hoped that the parties, and especially the developed countries, would fulfil their obligations by limiting their emissions of greenhouse gases and by furnishing sufficient financial and technical resources to enable the developing countries, too, to play their part. Furthermore, it was essential that all necessary preparations should be completed before the holding of the first session of the Conference of the Parties.

10. As a developing country, China had to ensure the growth of its economy and the well-being of its population as well as to protect the environment, a double task which it was ready to discharge to the best of its ability. It had signed the Convention at Rio and the ratification process was under way. Moreover, China had adopted a ten-point strategy aimed at reconciling environmental protection with development, more particularly by restricting emissions of greenhouse gases and combating deforestation, and would endeavour to achieve the objectives of the Convention.

11. Mr. JACOVIDES (Cyprus) said that ever-growing consumption had inflicted such abuse on the environment and ecosystems that nature seemed to be losing the battle to man's productive powers. It was to be hoped that the Rio Conference on Environment and Development and the United Nations Framework Convention on Climate Change, opened for signature at Rio, testified to the development of an awareness in that field. The Convention, which marked the completion of a long and arduous process of negotiation initiated in 1988, pursuant to General Assembly resolution 43/53, was a significant contribution to the development of international law in the field of sustainable development.

12. Cyprus, itself a small island developing State, had made its modest contribution to the process through the Alliance of Small Island States, a group of developing countries which were particularly vulnerable to the harmful effects of climate change and which, during the negotiations, had underlined the importance of preventive measures, particularly in respect of greenhouse gases. The interest generated by the Convention among the countries of the Alliance was hardly surprising, as they were particularly threatened by climate change and certain low-lying island States stood to disappear if the sealevel rose.

13. It was generally accepted that the Convention opened for signature at Rio was a compromise which, although not fully satisfactory, was nevertheless the first major step in the right direction. The special vulnerability of small island States and low-lying coastal areas was clearly recognized. However, the task at hand, regardless of the quality of the texts adopted, was to work together for the earliest possible entry into force of the Convention and for the conclusion of the necessary additional protocols. For that reason, the sixth session of the Intergovernmental Negotiating Committee, due to be held at Geneva from 7 to 10 December 1992, was of paramount importance for the

(Mr. Jacovides, Cyprus)

practical implementation of the Convention. All Member States of the Organization, whatever their size and financial resources, should be able to take part, and it would be preferable for the session to be held in New York. It was no longer a time for words but for deeds and the international community should assume without delay its obligations towards present and future generations.

14. Mr. BARAC (Romania) attached particular importance to the protection of the global climate, which would require efforts on the part of all States. The negotiation of the United Nations Framework Convention on Climate Change and its signature by 156 States and the European Community was the starting-point for a long-term process; the road was open for joint action by all States and for the systematic study of global climatic phenomena. That study, in conjunction with the development of new technologies that would permit greenhouse gas emissions to be reduced, would further mankind's scientific knowledge. It had also become possible henceforth to give up traditional models of development which were harmful to the climate. The efforts deployed under the auspices of the United Nations had played a major role and Romania commended the action carried out by the Intergovernmental Panel on Climate Change (IPCC), as well as by the World Meteorological Organization (WMO) and the United Nations Environment Programme (UNEP). From the very beginning Romania had supported the idea of having the United Nations involved in the protection of the global climate and had participated in the work of the Intergovernmental Negotiating Committee. Moreover, at the national level, it had set up a group of experts to study carbon dioxide emissions in 1990-1991 together with the economic and social implication of a reduction of those emissions and the consequences of the greenhouse effect on Romania's natural ecosystems. The work of the group of experts had shown that carbon dioxide emissions had constantly fallen over the previous two years as a result of the sharp decline in industrial output.

15. Furthermore, Romania noted with satisfaction that WMO provided financial support for the participation of experts from developing countries in the work of the Intergovernmental Panel on Climate Change.

16. In 1992, with support from a British consultancy firm, Romanian experts had evaluated greenhouse gas emissions, thanks to the financial assistance of the British Government. That cooperation demonstrated that solving the global problem of climate change needed joint efforts by all States.

17. Romania was determined to fulfil the commitments it had assumed when it signed the Framework Convention and actively to participate in all stages of the process which had begun. Moreover, the Conference of the Parties could guarantee the effectiveness of that legal instrument.

18. Mr. STOVALL (Micronesia) fully agreed with the calls by many speakers for immediate implementation of the Framework Convention on Climate Change and subscribed on the whole to the practical recommendations voiced in that regard. It was necessary to show due regard for the difficulties encountered by small developing countries which sought to participate in an enterprise of that magnitude. Micronesia, together with other small island developing countries, was gratified that the Convention included a number of provisions concerning the rise in the sealevel. However, it was unfortunate that the threat represented by the rise in the sealevel, which was a very gradual phenomenon that occurred at varying rates, was not yet taken very seriously. However, recent research indicated that there was a risk of a meltdown of the polar ice-caps at temperatures closer to current temperatures than had been thought. The sealevel could rise more rapidly than had been assumed at the Rio Conference. Accordingly, in that field the precautionary principle should guide all the parties to the Framework Convention, which was but a starting-point in dealing with the various threats arising from the climate changes caused by man. Its effectiveness would depend on the manner and speed of its implementation, as well as on the measures adopted by the parties to give life to the principles it contained. Micronesia would spare no effort to ensure the success of the Convention.

19. Lastly, Micronesia supported the call for the creation of an intergovernmental negotiating committee devoted to combating desertification and drought. It had become obvious, in the course of the negotiations on climate change, that the monumental problems already being experienced could not be adequately addressed within the existing Committee. Accordingly, it was necessary rapidly to decide on the establishment of a new intergovernmental negotiating committee, which should receive the priority due to the problem.

20. Mr. JALLOW (Gambia) emphasized that one of the major achievements of the Rio Conference was the recognition of drought and desertification as a global multidimensional and multisectoral problem which had serious socio-economic impacts in developing countries, particularly those in Africa. That marked a critical watershed since the United Nations Conference on Desertification of 1977, while the decision to establish an intergovernmental negotiating committee for elaborating a convention to combat desertification had been one of the main decisions taken in Rio.

21. In the long term, that convention should combat desertification effectively with a view to alleviating poverty and promoting sustainable development. It should also provide a framework for greater coordination and harmonization of international cooperation on the matter and help to promote the full integration of environmental protection and natural resource management in the development process. It should recognize the full participation of local communities in the decision-making process, as well as their rights over the resources they controlled.

(Mr. Jallow, Gambia)

22. He hoped that the convention would contribute towards strengthening national, subregional and regional capacities through public awareness campaigns, training, income generation incentives and the eradication of poverty as an indispensible prerequisite for sustainable development, as well as through the establishment of an open international economic system leading to economic growth and sustainable development in all countries.

23. Implementation of the provisions on drought and desertification, as contained in chapter 12 of agenda 21, would undoubtedly require additional resources. The international community should encourage efforts in that direction and include drought and desertification as a fifth autonomous issue for funding from the Global Environment Facility.

24. Gambia hoped that the General Assembly would establish an ad hoc secretariat that would draw on the experiences of the competent United Nations agencies and relevant regional organizations, as the problem of desertification should be approached from both environmental and developmental perspectives. The intergovernmental negotiating committee should also have a strong scientific base. Gambia proposed that the General Assembly should consider establishing an intergovernmental panel of experts to provide the necessary technical and scientific support.

25. Mrs. HASSAN (Egypt) stressed that Egypt fully supported the entry into force of the United Nations Framework Convention on Climate Change, which was particularly important to Egypt as a country vulnerable to climate change and its consequences (whether rises in water levels, floods or desertification). It had signed the Framework Convention during the Rio Conference and the ratification procedure was under way. Egypt was preparing a plan to evaluate the environmental effects of climate change and response policies. It proposed to establish a national committee to study environmental effects and evaluate the national situation concerning the emission of greenhouse gases. It also proposed to establish a set of coordination and cooperation frameworks with concerned international organizations and institutions, and welcomed all forms of bilateral or regional cooperation in environmental areas.

26. Despite the reservations it had prompted, the Framework Convention on Climate Change constituted a first step in the process of addressing serious threats to the planet. The true importance of the Convention lay in that it would give rise to concrete actions and be quickly followed by protocols making it fully effective and providing the finance needed for implementation, including appropriate reform of the Global Environment Facility.

27. The General Assembly should continue to support the Intergovernmental Negotiating Committee so as to enable it to continue its preparatory work for the first meeting of the Conference of the Parties, particularly on defining appropriate methodologies for reducing greenhouse gas emissions. Finally, the Egyptian delegation fully supported the establishment of an international negotiating committee for preparing an international convention to combat desertification.

28. Mr. HURST (Antigua and Barbuda), speaking on behalf of the 12 States of the Caribbean Community (CARICOM) and States Members of the United Nations, congratulated the Chairman and the Executive Secretary of the Intergovernmental Negotiating Committee, who had facilitated the lengthy negotiations culminating in the Framework Convention on Climate Change. The 12 CARICOM States had signed the Framework Convention and were in the process of ratifying it, even though, in their view, it had produced agreements rather than commitments. As small-island developing countries and low-lying coastal States, they were particularly vulnerable to the devastating effects of global warming - rising sealevels, more frequent and severe hurricanes and the possible inundation of thousands of square kilometres - which would result in the loss of arable lands and severe economic and social disruptions.

29. It was therefore important that countries should honour their commitments to take action to reduce climatic change and that the developed countries should honour their voluntarily undertaken obligations, to assist other States, particularly small developing countries and low-lying coastal States, in reducing their carbon dioxide emissions. Even if greenhouse gas emissions grew in the CARICOM States, it was unlikely that they would ever contribute more than miniscule amounts to their atmosphere build-up. The developed countries would therefore have to take the lead. Against that backdrop, CARICOM supported early ratification of the Framework Convention on Climate Change by all members of the international community and the opening of future negotiating rounds for a protocol to the Convention aimed at stabilizing and reducing carbon dioxide emissions by the year 2000.

30. The developing countries had accepted the obligation under the Convention to prepare national inventories of all anthropogenic sources of greenhouse gas emissions which were not covered by the Montreal Convention. The countries of the Caribbean Community did not have the necessary scientific and technological expertise and would therefore need assistance from the developed countries in fulfilling their obligations under the Convention. They therefore attached particular importance to the commitments entered into by the developed countries with respect to transfer of expertise.

31. A key requirement for the successful implementation of the Convention was the availability of additional financial resources to meet the incremental costs of the provisions of the Convention. It was therefore important for the developed countries to honour their commitments in that respect. The countries of the Caribbean Community had accepted the Global Environment Facility (GEF) as the interim financing mechanism, provided that it was restructured in accordance with the principles of democracy, transparency and universality.

32. They had been active participants in the negotiations through their membership of the Alliance of Small Island States and had been among the first signatories of the Convention in Rio. They had thus demonstrated their strong commitment to the implementation of the Convention but at the same time they feared that their participation in future negotiations might be jeopardized if

(Mr. Hurst, Antigua and Barbuda)

INC did not continue to provide them with financial assistance to enable their representatives to attend. Furthermore, it would create great difficulties for the countries of the Caribbean Community and for other States with limited resources if the INC permanent secretariat was established in a location other than New York. They were thus all the more appreciative of the contributions paid by the developed countries pursuant to General Assembly resolution 45/212.

33. It was now the responsibility of the States members of the international community to implement the provisions of the Convention and ensure its early entry into force with a view to stabilizing emissions of greenhouse gases, particularly carbon dioxide, into the atmosphere. Concrete steps must be taken to ensure that the implementation of the Convention attained the desired results.

34. As front-line countries directly in the path of climate change and its adverse consequences, the States of the Caribbean Community sincerely hoped that the momentum created by the negotiations on the Convention would induce States to take immediate and decisive action in the important phase of implementation.

35. Mr. VAN LIEROP (Vanuatu), speaking on behalf of the States members of the Alliance of Small Island States, paid a tribute to the Chairman of INC and to its Executive Secretary and fully endorsed the statement made on behalf of the Group of 77. Vanuatu was one of the countries most vulnerable to the adverse effects of human-induced climate change and it was grateful to the other developing countries for their solidarity and support and to the developed countries for helping to ensure that a convention on the subject would be open for signature at the Earth Summit in Rio. However, the work was not yet done; recent scientific evidence suggested that the dangers of global warming and its consequences - sealevel rise, and increased frequency and intensity of tropical storms - had been seriously underestimated. During the INC negotiations and in Rio the political will to address the problem had emerged but not necessarily in sufficient strength to complete the task. Given the enormity of the problem of drought and desertification, time was short. An effective intergovernmental committee must be set up to negotiate a convention on drought and desertification, and it was to be hoped that the results achieved would ease the plight of the countries most affected by the problem. Ironically, some countries threatened by sealevel rise were also threatened by drought and desertification. It was remarkable that the Framework Convention had been negotiated so rapidly, even if certain important elements, relating primarily to commitments by the developed countries, still required clarification. The Convention was none the less an important starting point. Furthermore, a number of developed countries had already committed themselves to measures to give more weight to the Convention and some had already taken action to stabilize - and reduce - their carbon dioxide emissions.

36. While it was for the developed countries to take the lead in that important area and provide the necessary financial resources for the

(Mr. Van Lierop, Vanuatu)

Convention to address the threat of global warming effectively, there were also major tasks for the other countries. Mauritius had been the first country to ratify the Convention, followed by other States of the Alliance of Small Island States and by other developing and developed countries. In order to facilitate the process it was essential for INC to continue to function until the Convention entered into force. The interim secretariat should continue to be provided with the resources needed to prepare the first conference of the parties. Vanuatu would support a resolution to that end.

37. All countries had shown understanding and a spirit of compromise in the negotiation of the Convention and there was no doubt that in the years to come the international community would have occasion to draw inspiration from that negotiation in other undertakings.

Draft decision A/C.2/47/L.13

38. The CHAIRMAN introduced the draft decision entitled "Large-scale pelagic drift-net fishing and its impact on the living marine resources of the world's oceans and seas" (A/C.2/47/L.13) and noted that, as the Committee had decided on the previous day to place brackets around all the provisions of resolutions relating to future reports until after consideration of the complementarity of agenda items between the General Assembly and the Economic and Social Council, the end of the sentence from the words "to submit" should be bracketed.

The draft resolution, as amended, was adopted.

AGENDA ITEM 87: SPECIAL ECONOMIC AND DISASTER RELIEF ASSISTANCE (continued)

(b) SPECIAL PROGRAMMES OF ECONOMIC ASSISTANCE

Draft resolution A/C.2/47/L.18

39. Mr. AMMARIN (Jordan) introduced the draft resolution on behalf of the sponsors and said that the United Arab Emirates and Honduras had become sponsors. For 20 years Lebanon had been the victim of a destructive civil war, 20 per cent of the population had been displaced, education was paralysed and the currency eroded, making the economic situation of individuals even more difficult.

The meeting rose at 1.20 p.m.

UNITED NATIONS

General Assembly

FORTY-SEVENTH SESSION

Official Records

SECOND COMMITTEE
31st meeting
held on
Monday, 9 November 1992
at 10 a.m.
New York

SUMMARY RECORD OF THE 31st MEETING

Chairman:	Mr. GUERRERO (Vice-Chairman)	(Philippines)
later:	Mr. BALZAN (Rapporteur)	(Malta)
later:	Mr. GUERRERO (Vice-Chairman)	(Philippines)

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AGENDA ITEM 78: DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION

(a) TRADE AND DEVELOPMENT

ORGANIZATION OF WORK

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A/C.2/47/SR.31
1 December 1992
ENGLISH
ORIGINAL: FRENCH

In the absence of the Chairman, Mr. Guerrero (Philippines), Vice-Chairman, took the Chair.

The meeting was called to order at 10.30 a.m.

AGENDA ITEM 78: DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION

(a) TRADE AND DEVELOPMENT (A/47/15, vols. I and II, A/47/312-S/24238, A/47/398 and Corr.1, 410, 414 and Add.1 and 636; A/C.2/47/3; TD/364)

1. Mr. SANTOS (President of the eighth session of the United Nations Conference on Trade and Development), introducing the report of the eighth session of the Conference (TD/364), said that it would prove to be a milestone in the history of UNCTAD. Those attending the meeting in Cartagena had launched the idea of a new international partnership for development, bringing together modernization and solidarity, in which cooperation would underpin peace, security and development.

2. The efforts made by various countries, including Colombia, during the preparations for the Conference, with a view to redefining international development cooperation in the new context of East-West détente, had infused UNCTAD with the will to replace the former policies of confrontation by a spirit of cooperation by consensus. The organization had thus emerged strengthened from Cartagena, with its status as the principal body within the United Nations system in the area of international trade and economic development confirmed. Its role as the forum for intergovernmental debate, for the search for consensus and for negotiations had also been confirmed and it had been agreed that all negotiations should follow a common pattern; in order to produce firm commitments, negotiations should proceed in the following stages: joint definition, by consensus, of a relevant set of issues; high-quality analytical work; intergovernmental consultations; and finally identification of areas of convergence and negotiation. Furthermore, UNCTAD was now authorized to become active in areas which had not formerly fallen within its competence, such as the fight against poverty, the relationship between the environment and development from the point of view of sustainable development, and privatization.

3. Issues which had traditionally been UNCTAD's concern would now be tackled from a different perspective, on the basis of three considerations: acceptance of interdependence at the global level, paths to development and the theoretical framework of sustainable development. There would also be a major restructuring of UNCTAD's intergovernmental machinery. It would be a dynamic process of change which would give institutional arrangements a degree of flexibility, allowing them to adapt to changing needs. Initially, the Trade and Development Board would concentrate on the international implications of national macroeconomic policies, trade policies, economic reform, cooperation with the least developed countries and on applications of the concept of sustainable development. Some of its subsidiary bodies had

(Mr. Santos)

been eliminated or modified, with the exception of the Special Committee on Preferences and the Intergovernmental Group of Experts on Restrictive Trade Practices, and four standing committees had been set up, to deal respectively with commodities, poverty alleviation, economic cooperation among developing countries and developing services sectors. The Council would also have five ad hoc working groups, which would examine inter alia questions relating to financial flows, expansion of trading opportunities for developing countries, privatization and the interrelationship between investment and technology transfers.

4. With regard to matters of substance, the Conference, aware of current realities, had decided to modify its own mandate so as to examine new and pressing problems of concern to the world community as a whole. It would work to alleviate poverty throughout the world and to accelerate the economic and social growth of the developing countries within the context of sustainable long-term development based on international cooperation. Offering a definition of sound management, it cited the desirability of adopting macroeconomic policies which would create an international environment that would be open, transparent and non-discriminatory. Given the complexity of monetary and budgetary policies and the impact of structural adjustments, the Conference stressed the importance of the social and human aspects of economic progress.

5. States members had also stressed the need for urgent action at the international level to guarantee the flows of resources which the developing countries needed and, in particular, to arrange for the debtor countries to receive at the appropriate time the resources they needed to sustain their growth programmes. In the new context of East-West détente, efforts should be made to reduce military expenditure and to allocate the resources thus released to development.

6. The Conference reaffirmed the major role of UNCTAD in the area of international trade, emphasizing the need for it to take an active part in the struggle against protectionism and unilateralism, and, in particular, for the secretariat to assist the developing countries in evaluating the results of the Uruguay Round. At the same time, there would be a need for UNCTAD to take part in the analysis of the processes of regional economic and commercial integration, and to assist the developing countries who were involved in such efforts. In that context, the overall framework of an ambitious programme of work had recently been adopted in Geneva for the Standing Committee on Developing Services Sector, with a view to concluding the multilateral agreement for trade in services which was to emerge from the Uruguay Round. The intention was to enlarge the participation of the developing countries in that sector, by providing them with financial assistance and helping them strengthen their legal and institutional structures. Reaffirming the importance of the linkages between technological and social capacities and economic development, the Conference had stressed the need to increase investment flows. Particular stress had been laid on the development of

(Mr. Santos)

environmentally sound technologies, to which the developing countries should have access on favourable terms, and on the strengthening of the indigenous technical capacities of the developing countries and those in transition to a market economy.

7. With respect to commodities, the appropriate commission had been asked to conduct a study to find ways of strengthening markets and restoring the balance between supply and demand. In addition, pricing mechanisms should be improved and policies geared towards sound resource management should be adopted. Aware of the urgency of the problem, Colombia had proposed that a world conference on commodities be convened under the auspices of UNCTAD.

8. Moreover, one of the principal results of the Conference session had been the formal incorporation of the concept of sustainable development in the work of UNCTAD. The Conference had been asked to establish a framework to ensure the compatibility of environmental policies and trade practices, so as to prevent protectionist measures from being adopted on the basis of ecological pretexts. UNCTAD should also devote more study to the transfer of additional resources needed by the developing countries to implement their environment and development programmes and should step up its activities to coordinate poverty alleviation with policies in ecologically vulnerable areas. UNCTAD had also been asked to study the effects of market conditions on the use of natural resources and on the environment. Moreover, the session had provided UNCTAD with guidelines regarding technical assistance to developing countries in those areas and for the preparation of and participation in international negotiations and debates on the environment. In order better to incorporate that aspect in UNCTAD's work, the Conference had decided to deliver a message to the United Nations Conference on Environment and Development recalling that the participants had already instructed UNCTAD in Cartagena to contribute to the implementation of Agenda 21, to be adopted in Rio de Janeiro. Moreover, the Governments which had attended the session of the Conference in Cartagena had agreed to inform the United Nations Conference on Environment and Development that if necessary UNCTAD was prepared to effect further institutional changes to implement the decisions adopted in Rio. In that regard, it should be emphasized that a wide consensus had been reached at the session when texts on the relationship between trade, the environment and sustainable development had been drafted for use at the United Nations Conference on Environment and Development, and that entire excerpts from those texts had been reproduced in the Rio Declaration on Environment and Development.

9. In regard to the least developed countries, the session had achieved modest progress compared with the decisions adopted at its session in Paris in 1990. It had been agreed that an in-depth analysis of development in those countries should be conducted with a view to the formulation of recommendations regarding the situation.

10. The multilateral process of restructuring the intergovernmental mechanism had been successfully completed by the Trade and Development Board and the new

structures were already in place. Furthermore, member countries had undertaken to ensure that those changes resulted in increased participation in the work of UNCTAD by national experts and decision makers and by non-governmental officials thereby allowing the Conference to better respond to the needs of its members.

11. That series of important measures clearly demonstrated UNCTAD's ability to adapt to new realities and significantly contributed to the process of reform currently under way at the United Nations in the economic and social spheres.

12. The "Spirit of Cartagena" which had characterized the discussions at the eighth session of the Conference had given new impetus to international cooperation. Colombia, which had hosted the session, had fulfilled its important mission but, in the next stage, only the political will of the countries which had adopted the Cartagena Commitment would make it possible to realize the vast possibilities for international action.

13. Mr. AKTAN (President of the Trade and Development Board) recalled that the United Nations Conference on Trade and Development at its eighth session had adopted a series of decisions directly affecting the work of the Trade and Development Board. In particular, UNCTAD VIII had redefined the relationship among the Conference's analytical, normative and technical cooperation activities, reoriented the substantive work of its secretariat, evolved new work programmes and agreed on institutional reforms as part of the revitalization of the Organization in the economic and social spheres.

14. Given the new work methodology, UNCTAD should first identify a set of relevant issues and analyse them in depth, and then initiate discussions among Governments with a view to identifying areas of convergence. That process should lead to negotiations, as the culminating point of a consensus-building process designed to identify issues deemed ripe for intergovernmental agreement.

15. Implementing decisions of the session, the Board suspended two of its Committees and established four new standing Committees and five ad hoc Working Groups. Those new bodies, which would begin to meet no later than January 1993, should focus on national experiences and policies so as to allow countries to learn the lessons of past experience and apply them not only at the national level, but also in multilateral economic cooperation. Particular importance was accorded to research and analysis and to technical cooperation, all of which should be given concrete expression through operational activities.

16. Agreement had been reached on guidelines for the convening of the Executive Sessions of the Board at the Permanent Representative level. Those meetings should strengthen the Board's policy function and might allow States members to participate more actively in the preparatory process for Board meetings.

(Mr. Aktan)

17. The Board's spring and autumn sessions had widely been regarded as highly productive. Ideology and confrontation had given way to pragmatism. More time had been spent on substantive deliberations than in the past and experts had been invited to take part; that approach had illustrated the value of negotiations in working to achieve consensus. At the autumn session, a final communiqué had, for the first time, been issued; it could be found in the Board's report (A/47/15, vol. II).

18. The exchanges of views on the international implications of macroeconomic policies had been complemented by an informal discussion with the Working Group of the Committee for Development Planning, which had revealed the need for the developed countries to adopt measures designed to promote recovery in the short term and to remove structural disequilibrium in the longer term. The coordination of macroeconomic policies by the larger economies had been viewed as essential to revive the world economy. At the same time, to ensure the success of measures taken by the developing countries, debtor countries, their creditors and the multilateral financial institutions should strive to solve the debt problem. Lastly, there was great concern over the rise of protectionism and the impasse of the Uruguay Round negotiations.

19. With regard to public enterprises, it was agreed that the privatization of loss-making public enterprises was a serious option, although it was no reason to abandon all forms of government intervention. On the other hand, where the private sector was still embryonic, serious attention should be paid to reforming the public sector to improve profitability and competitiveness. It was widely agreed that both sectors needed to play complementary roles.

20. On the subject of sustainable development, the Rio Conference had underscored the important role which UNCTAD could play in achieving the objectives of Agenda 21. The UNCTAD secretariat and the intergovernmental bodies had been encouraged by the Trade and Development Board to integrate the concept of sustainable development into their work programmes and to give it top priority. The Board would initially concentrate on reconciling environmental and trade policies, bearing in mind the need to ensure that environmental measures did not lead to a strengthening of protectionism. For its part, the secretariat would undertake studies on a range of allied topics, particularly the link between poverty alleviation and sustainable development and methods for internalizing environmental costs into the prices of products.

21. The Board had also discussed the establishment of national mechanisms to promote free trade, and had taken the view that the manner of their implementation should depend on the institutional framework in each country. It had also reviewed the question of official development assistance to the least developed countries and the need to achieve the targets set; the donor countries had expressed their intention to examine the effects of the addition of new countries to the list of least developed countries. The question of the countries of Africa had also been discussed and it had been decided that UNCTAD should give priority to Africa in the deployment of available technical

cooperation resources. In another sphere, the Board had decided to establish a working group to explore the issue of the necessary structural adjustment to ensure a harmonious transition to disarmament.

22. Finally, many delegations had expressed deep concern with regard to the paralysis affecting the UNCTAD/GATT International Trade Centre (ITC) which was still without an Executive Director. ITC had a crucial role to play in promoting the exports of the developing countries, at a time when international trade was crucial for their revival. It was agreed that the Centre should remain a joint body, and thus that the views of GATT should be taken into account on the question of the appointment of its Executive Director, which had become a matter of urgency.

23. Mr. DADZIE (Secretary-General of UNCTAD) said that just when interdependence seemed to have receded into the background and structural reform policies had come to monopolize attention, macroeconomic policy coordination had again thrust itself forward, highlighting the damaging effects of the international environment on the economy of the developing countries.

24. However, in its Trade and Development Report, 1991 the UNCTAD secretariat had warned that the recovery of the industrialized countries might be very weak. It had also pointed out that the deregulation policies of the 1980s, together with the type of monetary and fiscal policies adopted, had increased the potential for instability in the international financial system. It had identified the problem as a shortage not of savings, but of expenditure. The deflationary trend had materialized, and the consequences for the world economy were well known.

25. That phenomenon, which unless contained, might turn into a vicious circle, had not yet evoked an adequate policy response. The global economy was indeed at an impasse. On the one hand, the majority of developing countries and countries with economies in transition were unable to achieve sufficient export growth to underpin their free-market reforms; on the other, in most developed countries, the private sector was unable to take the lead in generating a recovery. There was every risk that protectionism would intensify throughout the world.

26. If the 1990s were not to be, like the 1980s a "lost decade" that was lost for all, the main developed countries should rapidly adopt coordinated measures. First of all, they should lower interest rates, particularly in Europe, where the decline of the dollar was putting stress on currencies tied to the deutsche mark. Secondly, they should adopt budgetary and fiscal measures, taking into account the fact that any cut in public expenditure or rise in tax rates would depress incomes and accentuate the recession. Governments must give a temporary boost to recovery, while carefully maintaining control over the process to avoid a permanent deterioration of public finances. There was admittedly a risk of inflation, but it was a far

(Mr. Dadzie)

lesser risk than deflation. Japan had taken the lead in adopting Keynesian policies, but it could not be expected to revive the world economy alone.

27. Recovery also involved measures to redress the situation in the developing countries by enabling them to enlarge their export markets while providing them with the capital they lacked. Despite positive developments, it would be premature to conclude that the problem of the external indebtedness of those countries had been resolved. The Trinidad terms were to be preferred to the enhanced Toronto terms advocated by the Paris Club, and there was a need to review the modalities of debt-reduction for the poorest countries in order to settle the problem once and for all.

28. Finally, the necessary measures must be taken in the area of international trade. If the trend towards liberalization in the developing countries was accompanied by growing protectionism, the result might be a further worsening in the terms of trade. A successful conclusion to the Uruguay Round should be the prime objective of the international community. As it was, developments in recent weeks scarcely called for optimism. In that clash of the titans, a regression would affect not only the main protagonists in the negotiations, but the economy as a whole.

29. Mr. MASOOD (Pakistan), speaking on behalf of the Group of 77, said that the world economic malaise was continuing, with a decline in global production, a slowing down in growth in the large industrial countries and trends which were heavily weighted against the developing countries, in particular a net deceleration of trade growth. That growth was no more than 3 per cent per year in terms of volume, while exports had increased in value terms by less than 2 per cent in 1991. With the decline in export prices, that had led to a considerable deterioration in the average terms of trade of the developing countries.

30. In difficult circumstances, some developing countries had shown a measure of resilience and an upward trend in trade, but those were not the countries which were most dependent on commodity trade. Market access was one of the main concerns of the Group of 77. A large number of developing countries had liberalized their trade regimes at great social, economic and political cost, whereas the champions of free trade had raised their tariff and non-tariff barriers. Those barriers were costing the developing countries, in terms of lost income, an amount equivalent to twice that of the OECD development assistance and twice that of the annual interest paid on their public external debt. Furthermore, the developed countries spent US$ 320 billion each year on subsidizing their agricultural production and exports, a figure which was more than twice the amount of the export earnings from non-fuel commodities of all the developing countries. The Group of 77 hoped that the principles of the market economy would be extended to international trade and that the developed market economies would open up their markets, since that was essential to the balanced growth of trade, which was, in itself, the single most important factor for world-wide economic growth and development.

(Mr. Masood, Pakistan)

31. Commodity markets suffered from structural distortions, with low and declining real commodity prices. That decline had in 1991 affected virtually all commodity groups. It reflected depressed demand conditions resulting from the recession in the developed countries. The developing countries which depended on commodity sales were unable to increase their investments and were suffering from higher inflation and greater indebtedness. There was a pressing need for measures to remedy that situation, and in particular to introduce mutually beneficial commodity cooperation and to diversify, on the basis of properly planned international assistance, the economies of the developing countries which were too dependent on commodities. Consideration should be given to the possibility of holding a world conference on that question, as recommended at the eighth session of the United Nations Conference on Trade and Development (UNCTAD).

32. The developing countries noted with much concern the deadlock in the Uruguay Round with regard to agriculture; it was all the more regrettable in that the negotiations had already fallen two years behind, a situation which had created grave uncertainty as to the future of the multilateral trading system, to the detriment of all concerned, and especially the developing countries. It was essential that the developed countries should demonstrate their political will to ensure the success of the negotiations and thus create a more favourable external environment for the rapid growth of trade. The Uruguay Round should satisfy the interests of all participants, in particular those of the developing countries. In the field of textiles and clothing, for example, it was important to phase out the Multi-Fibre Arrangement so that the sector could be integrated into the normal GATT rules. A successful outcome to the negotiations would improve the international atmosphere for investment and growth, while any further delay would merely strengthen the forces of recession.

33. The Cartagena Commitment, adopted at the eighth session of UNCTAD, made provision for a substantive restructuring of UNCTAD, a body which had played an extremely useful role in recent decades. The terms of reference of the new ad hoc working groups and standing committees had been formulated with a view to ensuring their maximum impact and efficiency. The constitution of those new entities reflected a reassertion of the basic principle that trade and development were interlinked. The real value of the restructuring would be apparent when those bodies began to function, since their work should be used in other forums dealing with trade and development so that they were closely associated with the entire system. UNCTAD had contributed significantly in the area of macroeconomic analysis and its role in that regard should be further strengthened.

34. In conclusion, the Group of 77 reiterated the importance of the economic interdependence of the developed and developing countries. The commitment of the latter to the restructuring of their economies, often at great sacrifice, would be an exercise in futility unless it was accompanied by an equally determined restructuring of the world economy.

35. Mr. BRUMMEL (United Kingdom), speaking on behalf of the European Community and its member States, said that during the 1980s real prices for many commodities on the international market had declined, and that that had had serious consequences for the many developing countries which were significantly dependent on commodities. Many producers had seen their export earnings greatly reduced as a result of structural imbalances between supply and demand for several key commodities. There had been only moderate growth in demand because of slow world-wide economic growth, the declining use of raw materials and lower import demand in the countries of Eastern Europe and the former Soviet Union.

36. At the same time, supply had increased significantly in both developed and developing countries. That was largely due to the subsidizing of production and productivity improvements resulting in production at lower cost and frequently better quality. The range of commodities produced for domestic consumption and export had also expanded in a number of countries.

37. The major problem was therefore the imbalance between supply and demand and the most effective remedies lay in the field of domestic policy adjustment, reducing dependence on individual commodities in response to trends in demand, vertical or horizontal diversification, and increased productivity in order to enhance comparative advantage. The developing countries should therefore pursue structural adjustment policies which took account of market forces and competition, while improving their production, marketing and distribution infrastructure in order to compete better in world markets. Effective diversification would also make developing countries less vulnerable to commodity price reductions; commodity-producing developed countries must also strive to reduce imbalances between supply and demand.

38. There were various ways in which international cooperation could complement and support national commodity policies. The second account of the Common Fund for Commodities should become fully operational as soon as possible and should benefit the least developed countries in particular. More generally, a favourable external economic environment would strengthen international demand for commodities and effectively complement domestic policies. In order to support commodity production and diversify exports, the European Community had adjusted its compensation and intervention mechanisms, the System of Stabilization of Export Earnings (STABEX) and the System for Stabilizing Export Earnings in the Mining Sector (SYSMIN), which now worked fully on a grant basis. Developed countries should continue to provide appropriate technical and financial assistance to developing countries to help them implement their reforms.

39. However, experience had shown that efforts to stabilize prices, particularly through international commodity agreements, were largely ineffective. Thus the International Coffee Agreement had been unable to support prices in the sector, which had fallen dramatically. Nevertheless, the renegotiation of existing agreements could be considered provided that that was compatible with long-term market trends. The Community was

(Mr. Brummel, United Kingdom)

participating fully in the renegotiation of international agreements dealing with cocoa, coffee, rubber and tropical timber.

40. The success of the eighth session of UNCTAD would help to strengthen that body's activities in the commodities sector. UNCTAD should continue its efforts to facilitate coordination of bodies involved in the commodities sector and explore new ways of dealing with commodity issues, particularly by encouraging diversification. A refocused Standing Committee on Commodities provides a useful forum for the collection of good information, improved analysis and the promotion of best practice in the commodities sector on the basis of principles compatible with the functioning of the markets. The Standing Committee should take into account the specific situation of each country and each product and the particular problems of the least developed countries. The work of international commodities organizations and study groups should be made more transparent and they should produce improved statistics and market analyses.

41. Commodities were natural resources and as such were an important aspect of sustainable development. The Committee on Commodities of UNCTAD should examine the relationship between the use of commodities and sustainable development. In so doing, account should be taken of the ongoing discussions on the follow-up to the United Nations Conference on Environment and Development. The Committee on Commodities should consider ways of enhancing the competitiveness of natural products with environmental advantages and ways in which the development of the commodities sector, notably through diversification, and environmental concerns could be made mutually reinforcing.

42. An open international trading environment was important, while the early conclusion of the Uruguay Round would considerably improve the prospects for commodity producers. It should also be remembered that there was a potential for change in the pattern of commodity trade, notably as a result of the move towards market economies in the countries of Central and Eastern Europe and an increase in South-South trade.

43. Mr. JARAMILLO (Colombia) said that his country, like many developing countries, had to transform its production structures in order to become competitive. That process of internationalization must be based on internal balance and stability and sound macroeconomic management, which would require austerity measures and even a sharp reduction in public spending. Reform was needed in the financial sector, the employment sector, the service infrastructure and the State itself, which needed to be made more efficient. An immense effort was therefore required.

44. However, an economic model of that nature was based on the assumption that the external climate would be favourable and that the industrialized countries would also meet their responsibilities. In fact, there were large areas of uncertainty in the international climate which could jeopardize the efforts undertaken and generate fresh risks. In 1992, for example, world per

(Mr. Jaramillo, Colombia)

capita income would fall for the second consecutive year, while the international economy was still very weak. The world recession was due mainly to the economic policies pursued by the countries of the North, which put their own national interests first and neglected those of the developing countries, while continuing to advocate greater interdependence and increasing globalization of the economy. There was still no macroeconomic policy mechanism which embraced both the developing and developed countries. Yet the United Nations would be the most appropriate body to play that role.

45. The participation of the international financial institutions was vital in order, inter alia, to ensure effective multilateral monitoring of external imbalances originating in the developed countries and to keep track of the macroeconomic policies pursued by those countries, with particular emphasis on their impact on developing countries. However, the policies of those institutions should also be closely monitored by the competent organs of the United Nations. The continual changes in the rules applied by the financial organizations and the sudden switch from one kind of conditionality to another were extremely harmful to developing countries. A mechanism should therefore be established for examining financial policies and coordinating discussion of them with other development questions. The opening up of the industrialized countries' markets under transparent and non-discriminatory conditions remained one of the objectives of the developing countries. The elimination of trade barriers which held back the production of developing countries was a precondition for a resumption of growth, better prospects for success in combating poverty, easier access to technology transfer, a definitive solution to the external debt problem and the creation of the conditions needed for sustainable development.

46. That was why, despite the recent disappointments, the Uruguay Round negotiations should be pursued with a view to the ultimate establishment of a global trading system based on multilateralism. Such a system should not discriminate against the products of the countries of the South. Yet the tariffs imposed by the developed countries were the highest for the sectors and products of the greatest importance to the developing countries. At the same time, tariffs among the industrialized countries themselves were low. The Uruguay Round should improve the rules and disciplines of GATT and should lead to an effective dispute settlement system. The provisions guaranteeing special treatment for the developing countries must be maintained and improved. Liberalization was needed in the textile market in order to dismantle the Multifibre Arrangement within a reasonable time period, as well as in the agricultural products market, in particular for tropical products. It would be impossible to bring the Uruguay Round to a satisfactory conclusion without agreement on the agriculture component.

47. It was perplexing to note the position taken by some developed countries, whose policies were at odds with the objectives of the GATT negotiations. Those negotiations would fail if the parties continued to encourage increasing use of subsidies by the industrialized countries and if, rather than seeking a

(Mr. Jaramillo, Colombia)

political solution to the deadlock, they continued to resort to retaliatory protectionist measures. The negotiations were about two years behind schedule. That delay had already been very costly for the countries that had adopted open-market trade policies.

48. The trend towards the formation of regional blocs of developed countries was of concern to the developing countries. The North American Free Trade Agreement (NAFTA) and the European common market were cases in point. The developing countries understood that, from the standpoint of internationalizing trade relations, all bilateral, subregional or regional market liberalization processes represented a step forward. But to be compatible with multilateralism, free-trade zones should be accompanied by an open economic policy towards the rest of the world. In that way, the trade distortions that closed trading blocs inevitably caused could be avoided or offset. That was why a distinction should be made between, for example, the type of economic union practised in Latin America, which was characterized by unequivocal openness to the world economy, and that practised by some industrialized countries, which consisted first and foremost of using high tariffs, non-tariff measures and generous subsidies to erect protectionist barriers against the rest of the world.

49. The agreements collectively known as the Cartagena Commitment had resulted in the programme before the current session of the General Assembly in the context of the proposed revisions to the medium-term plan for the period 1992-1997. It also provided a platform for the various future negotiations on the question of trade and development. The Cartagena Commitment would serve, too, to guide the Committee's deliberations on that topic. Colombia had agreed to host the eighth session of UNCTAD at a time when the Conference's image had been at its lowest point. It had been the desire of Colombia to help the Conference overcome sterile confrontation and to revitalize the institution in order to make it the leading forum for the examination of development issues. The Cartagena Commitment constituted an unprecedented effort to modernize UNCTAD and the intergovernmental machinery. It was important for the General Assembly to join in supporting the agreements adopted by all the States represented at that session, and for those States to give their support to the institutional reforms decided at Cartagena. UNCTAD should strengthen its role as the principal organ of the Assembly in the area of trade and development, an area in which States and the United Nations system should fully implement the Cartagena Commitment. The Cartagena Commitment demonstrated a spirit of real cooperation and solidarity, but it also called for specific measures.

50. Colombia joined the Rio Group in supporting the initiative submitted to the General Assembly by the Brazilian Minister for Foreign Affairs concerning the preparation by the Secretary-General of an agenda for development, which would be the necessary complement to the "Agenda for Peace". The equilibrium of the United Nations depended on the proper distribution of its activities between the problems of peace and security and those of development.

51. Mr. ROBLES (Mexico) said that the increasing internationalization of production, technology and finance had led to the adoption of radical reforms in many countries, particularly the developing countries. In that new context, many countries had implemented adjustment and modernization programmes aimed at making their economies more efficient and competitive. The first goal was to restore growth and thereby improve the standard of living.

52. Opening national economies to the world economy was a key element in such strategies. The possibilities for increased trade inspired great hopes. Indeed, an open, transparent trading system was a necessary prerequisite for the proper development of the international economy. However, the liberalization of trade must be given a practical orientation. Like many developing countries, Mexico had lowered its trade barriers quantitatively and qualitatively, with the result that the Mexican economy was now one of the most open in the world.

53. Mexico was anxious to strengthen its trade relations with all regions. A free-trade agreement had been signed with Chile, and similar initiatives were planned with Central America and the Andean Pact countries. The recently signed free-trade agreement with the United States and Canada, which respected the principles of multilateralism, would provide a more predictable basis for trade. The purpose of all those initiatives was to arrive at a more dynamic trading system.

54. In most instances, the processes of achieving a more open economy had entailed adjustments that had had high costs for the countries making them. Paradoxically, those reforms had been instituted at a time when protectionist measures had been on the rise and when the most important international-level trade talks had reached a dangerous impasse.

55. Frequently, there was a very marked difference between what the major players in the international economy said and what they did. While defending the principle of free trade, they were at the same time enforcing protectionist measures and setting up new trade barriers. Thus in recent years the principal promoters of free trade had been the developing countries. The uncertainty surrounding the access of their products to the principal markets compromised the considerable efforts made by the developing countries, especially in the area of trade.

56. The results of the Uruguay Round would constitute the cornerstone of economic relations for the coming decades. The absence of an agreement on the agriculture component had brought the entire negotiation process to a standstill. Recent events in that area, which had brought two of the major trading partners into confrontation, could lead to a wide-scale trade war that would endanger the entire multilateral trading system. The deadlock could be broken only through political decisions.

(Mr. Robles, Mexico)

57. The eighth session of the United Nations Conference on Trade and Development constituted an historic event on the multilateral scene. The spirit of Cartagena had given rise to a new partnership committing all nations to work together for development. The purpose of the institutional reform adopted at that meeting was to strengthen UNCTAD in the context of the restructuring and revitalization of the United Nations. Thus Mexico welcomed the results of the second part of the thirty-eighth session of the Trade and Development Board, especially the terms of reference of the standing committees and ad hoc working groups.

58. Mr. DUGAN (United States of America) said that at the eighth session of the Conference the members of UNCTAD has formed a new partnership for development. Recognizing that peace and prosperity were indivisible and that lasting peace and security required effective international cooperation, they had recommitted themselves to addressing urgently the problems of economic and social development.

59. In that context effective national action should be taken to achieve sustained and non-inflationary growth firmly supported by international cooperation aimed at improving the external economic environment. A firm and tangible commitment to multilateralism had also been judged necessary.

60. The members had declared that the ultimate goal of UNCTAD was to achieve steady rates of sustained growth in all countries and accelerate the development of developing countries. The attainment of that objective would require concerted efforts for development. Working together through the new international partnership the global community should aim to erase the scourge of poverty, provide support for national reform programmes, encourage efficient use of global resources, and address economic and social problems through coherent and mutually reinforcing policies. The members had pledged themselves to strengthen UNCTAD as a forum where all nations participated fully and equally and with mutual respect in the building of a peaceful, equitable and prosperous world.

61. Recognizing that the viability of UNCTAD required reform of its institutional structures, the members had decided to suspend all its present work and subsidiary bodies and to change its work programme and work methods. Renouncing endless discussion of unimportant resolutions, the members of UNCTAD were now emphasizing a dynamic and progressive sequence of work involving the initial identification of a relevant set of issues, high-quality analytical work benefiting from contributions by governmental and non-governmental experts, and intergovernmental consultations aimed at the identification of areas of convergence. UNCTAD activities must be based on careful and rigorous analysis. Consensus building had become the most important function. It was now a question of defining common interests and promoting convergence by making the sharing of national experience and views an integral part of the process.

(Mr. Dugan, United States)

62. With the new work methods of UNCTAD clearly stated, the members had then conducted an extensive examination of the issues to be tackled. Four standing committees had been created, on poverty alleviation, commodities, economic cooperation among developing countries, and the fostering of services sectors. Six ad hoc working groups had also been formed; they had two-year mandates and could call on outside advisers. Such exchanges of experience ought to lead to a closer understanding of problems, and all such activities would help to strengthen the trust between developed and developing countries. Some of the new groups had already begun to meet, and their members, demonstrating the new Cartagena spirit of cooperation, were moving in a very positive direction.

63. The United States welcomed the restructuring of UNCTAD and the current reforms, which ought to make UNCTAD a centre of excellence in research, analysis, discussion, consensus building, and technical assistance. UNCTAD should thus become a model for reform of the United Nations itself.

64. Mr. Balzan (Malta), Rapporteur, took the Chair.

65. Mr. CUBILLOS (Chile) said that the eighth session of the Conference had marked an important stage in the development of international economic relations. It could be considered a success in the light of the conditions prevailing before the Conference, for they had been characterized by a lack of mutual confidence among member States, of concrete results in the negotiations, and of the political will to devise solutions acceptable to all sides.

66. UNCTAD VIII had opened the way for more concrete cooperation within the framework of existing mandates. Governments had clearly decided to create a genuine climate of cooperation and solidarity instead of confrontation. The spirit of Cartagena reflected the political will to ensure that development became a priority issue and to establish a new partnership for development.

67. The Conference had recognized that international détente ought to bring with it a reduction in military expenditures which would free resources to fund the social development of developing countries and combat poverty. The Trade and Development Board had already decided to create an ad hoc working group for that purpose.

68. Furthermore, the members of UNCTAD had noted that economic reforms and the democratization of procedures, particularly in the case of respect for human rights, had accelerated. The persistence of poverty, in many developing countries in particular, was unacceptable and demanded the adoption of measures at both the national and international levels. The elimination of that scourge would contribute to the expansion of world trade and to sustainable development. Development was in fact a process focused on individuals with the aim of improving their circumstances.

(Mr. Cubillos, Chile)

69. With regard to the guidelines, the Conference had stated that good economic management required action at the government level to establish a framework and rules which could ensure the proper functioning of markets and a climate favourable to economic activity.

70. The developing countries must intensify their efforts to modernize their economies in accordance with their national priorities and plans. The developed countries should endeavour to apply at the national level policies for the promotion of non-inflationary growth and structural adjustment. The necessary transformation of the international economic framework must be designed to set development on firmer foundations and create more favourable conditions for the vigorous structural reforms undertaken by the majority of the developing countries. Good economic management at the international level therefore required increased transparency in the measures taken by the agents of development and the active participation of all countries in the decision-making process.

71. The Conference had reaffirmed UNCTAD's mandate in the sphere of international trade and related issues, as set forth in General Assembly resolution 1995 (XIX). In accordance with that mandate, the functions of UNCTAD were policy analysis; intergovernmental deliberations; the quest for consensus, and negotiation, monitoring, implementation and follow-up; and technical cooperation. Accordingly, the organization must continue its development activities but must also adopt a more flexible management approach through the introduction of major institutional reforms, since the adaptation, reorientation and consolidation of its substantive work required a new approach to long-standing problems.

72. His Government welcomed the new institutional machinery established by the Conference. The newly established standing committees and ad hoc working groups should enable substantial progress to be made towards solving the problems impeding development, since they would comprise experts and senior officials with practical experience of questions that had previously been considered in a highly politicized climate.

73. The Trade and Development Board must play a more active role in determining policies, evaluating the achievements of subsidiary organs and examining questions each year relating to interdependence, trade policies, structural adjustment and economic reform. Experts and senior officials should be invited to those deliberations so as to enrich the discussions.

74. Commenting on the first part of the thirty-ninth session of the Trade and Development Board, he observed that the debates had demonstrated that the institutional changes made by the Conference were having the desired effect. The debate on interdependence had assumed particular importance as a result of participation by high-level experts. It had been recognized that monetary and budgetary policies should be conceived in such a manner as to promote short-term recovery and eliminate medium-term and long-term structural

(Mr. Cubillos, Chile)

imbalances. It had been deemed essential to coordinate macroeconomic policies in order to promote economic growth. Such coordination must take account of the interests of the developing countries.

75. He welcomed the fact that the Board, in accordance with the general agreements reached at the eighth session of the Conference, had decided to establish an Ad Hoc Working Group on the issue of structural adjustment during the transition to disarmament. The new organ, which would need to take into account political, economic and social factors, would add a new dimension to the deliberations on disarmament and the eradication of poverty.

76. Lastly, his delegation, reaffirming the success of the eighth session of the Conference, said that the tasks to be performed in the "spirit of Cartagena" would give positive results if the developed and developing countries maintained a constructive climate of cooperation and avoided confrontation. The anticipated institutional reform should accelerate progress on issues within the purview of UNCTAD. To that end it was essential for experts and senior officials from the member countries, including the least developed countries, to participate in the meetings of the standing committees and ad hoc working groups. Sustainable development must be a priority in the work of UNCTAD, including in the area of commodities, poverty eradication, services, investment and resource flows. The Ad Hoc Working Group on poverty alleviation should establish a link between macroeconomic policies and poverty, as well as between other economic growth trends and levels of poverty. It should also consider the impact of structural adjustment programmes on poverty. The secretariat of UNCTAD must be provided with sufficient human and financial resources to enable it to discharge the new tasks defined at the eighth session of the Conference.

77. The Cartagena meeting had marked an important phase in the international dialogue on disarmament, largely due to the identification of a correlation between economic and social factors and the fact that they were dependent on peace and democracy.

78. Mr. Guerrero (Philippines), Vice-Chairman, resumed the Chair.

79. Mr. REN Quan (China) said that the new partnership for development begun at the eighth session of the Conference was of fundamental interest to all members of UNCTAD. The latter should be guided by the principle of mutual benefit in tackling the challenges of the 1990s, and should settle their differences through dialogue, in a spirit of compromise. The mandates of the standing committees and ad hoc working groups newly established within UNCTAD should fully reflect the spirit of Cartagena.

80. The question of commodities involved the vital interests of many developing countries. Since the 1980s the world market had continued to deteriorate and the prices of raw materials and primary commodities had plummeted, inflicting heavy losses on developing countries. The solution of

(Mr. Ren Quan, China)

problems in that area required the formulation of sound and consistent policies at both the national and international levels. The eighth session of the Conference had produced a series of useful recommendations on that question which, if implemented, would resolve many problems. The economic development of developing countries also required a favourable external economic environment. Countries which adopted commodities strategies tailored to their own circumstances should also be supported by the international community. Developed countries and the relevant international organizations should provide financial and technical assistance to developing countries for the development of their commodities. UNCTAD should continue its role as a coordinator for various organizations in the field of commodities, study the relationships between commodities policies, the use and management of natural resources and sustainable development, and provide technical assistance.

81. Island developing countries were faced with special difficulties. The international community should help them improve their communications and transport infrastructures, enhance their ability to resist natural disasters, help them develop marine resources, and increase financial and technical assistance with a view to promoting their economic development. The efforts made by island developing countries to protect their environment and overcome their natural handicaps should also be supported. UNCTAD should strengthen its role in that area.

82. China was greatly concerned by the delays in the Uruguay Round and trusted that the participants would make every effort to break the current deadlock and bring the negotiations to a speedy conclusion.

ORGANIZATION OF WORK (A/C.2/47/L.1 and Add.1)

83. The CHAIRMAN said that consideration of item 78 (Part VI) concerning the report of the World Food Council had been deferred owing to the late issuance of documentation.

The meeting rose at 1.20 p.m.

UNITED NATIONS

General Assembly

FORTY-SEVENTH SESSION

Official Records

SECOND COMMITTEE
32nd meeting
held on
Monday, 9 November 1992
at 3.30 p.m.
New York

SUMMARY RECORD OF THE 32nd MEETING

Chairman: Mr. GUERRERO (Philippines)
(Vice-Chairman)

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In the absence of Mr. Piriz-Ballon (Uruguay), Mr. Guerrero (Philippines), Vice-Chairman, took the Chair.

The meeting was called to order at 3.35 p.m.

AGENDA ITEM 78: DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION (continued)

(a) TRADE AND DEVELOPMENT (continued) (A/47/15, vols. I and II, A/47/312-S/24238, A/47/398 and Corr.1, A/47/410, A/47/414 and Add.1, A/47/636; A/C.2/47/3; TD/364)

1. Mr. AHMIA (Algeria) said that his delegation fully supported the position of the Group of 77 on the issue of trade and development and noted with concern the marked slow-down in the growth of world trade, which had increased by barely 3 per cent in 1991. It was ironical that the courageous efforts of developing countries to adjust their economies and liberalize their trade policies were being answered by an upsurge of protectionism in the developed countries.

2. The report of the South Commission had rightly stressed the need for the North to open its markets to exports from the developing countries and to accord those countries a more favourable treatment, as a precondition for sustainable growth in the developing world. To that end, a free, open, transparent and non-discriminatory international trade system must be established, through joint regulatory efforts by developed and developing countries alike, aimed at guaranteeing the stability, predictability and sound operation of international trade and at achieving more equitable access by the developing countries to technology and investment. In addition, he urged the developed countries not to aggravate the already serious economic hardships experienced by the developing countries and, in particular, to root out corruption in their trade practices.

3. The world economy suffered from the severe structural distortion of markets and the plummeting prices of commodities. Concerted efforts by producers and consumers were essential to correct those imbalances, so as to achieve long-term stability, transparency and efficiency of the commodity market.

4. The United Nations Conference on Trade and Development (UNCTAD) had acquired crucial significance for the developing countries, as the ideal framework for the consideration of questions of trade and development. He therefore welcomed the active part played by UNCTAD in the ongoing revitalization of the United Nations system and urged it to give greater consideration to the role of South-South cooperation. Algeria supported all initiatives designed to strengthen the operational capacity of UNCTAD, thereby enhancing its work for development and international cooperation.

5. Many developing countries were establishing regional and subregional associations designed to strengthen development and international cooperation

(Mr. Ahmia, Algeria)

by opening up their markets, improving productivity and stimulating investments. For its part, Algeria was working towards the creation of a Maghreb regional body, the consolidation of Africa-wide cooperation through the Treaty Establishing the African Economic Community, signed at Abuja in June 1991, and the achievement of stronger cooperation between the Arab world and Africa.

6. In addition, Algeria was pursuing reform policies with a view to reactivating its production system and revitalizing growth and development, while safeguarding the gains of previous decades, particularly where the more disadvantaged population sectors were concerned. To that end, it had undertaken a range of legislative and administrative reforms, designed to ensure the long-term development of human resources, the promotion of exports and private initiative, the liberalization of prices and trade and the opening up of the economy to foreign investment. Economic planning, the banking system, the structure and status of state enterprises and credit and currency regulations had all been overhauled so as to strengthen and intensify the reform process. In particular, legislative measures had been adopted to permit the involvement of foreign capital and the greater participation of foreign companies in oil exploitation operations. The Government's new labour programme aimed to improve the organization of the national economy through the gradual creation of a market economy, based on sound internal production, which was fully open to the outside world.

7. Mr. SARDENBERG (Brazil) said that the international community must strive to establish a multilateral trading system which was open, fair, transparent and equitable. His country therefore attached utmost importance to the Uruguay Round of multilateral trade negotiations. The fact that those negotiations were stalled bore witness to the short-sightedness of the principal economic powers.

8. The developing countries had done their share, often at considerable cost to themselves, to promote an open and equitable international trading system by adopting trade liberalization measures. However, those measures had not been reciprocated by their main trading partners. Restrictions on market access for the exports of developing countries remained, and were compounded by restrictions on access to technology. The gap between North and South was widening - a fact that was directly reflected in international trade. Indeed, the developing countries' share of world trade had fallen from 24.8 per cent in 1980 to 19.3 per cent in 1989. In addressing the issue of technology transfer, it was necessary to bear in mind the needs of the private sector as well as the requirements of small and medium enterprises in the developing world.

9. The Cartagena Commitment, adopted at the eighth session of the United Nations Conference on Trade and Development, must be the basis for renewed efforts by the international community to seek solutions to the constraints on trade and development. As agreed in the Declaration adopted at that session,

(Mr. Sardenberg, Brazil)

development should become the priority item on the agenda of the international community. The peoples of the South eagerly awaited a positive signal from their partners of the North, and believed that the Second Committee was the forum in which a new negotiating effort should be launched.

10. In his report on the work of the Organization (A/47/1), the Secretary-General had, quite rightly, placed the agenda for development on a par with the peace endeavours of the United Nations. In the view of his delegation, that agenda should be discussed in and implemented by the Second Committee. Judging from the experience of the past few years, however, the Committee was not addressing that agenda. Vital issues such as trade, financial resources and technology were dealt with in an essentially procedural manner while issues which should be procedural were endlessly discussed. The agenda for development required not only a creative outlook but also active negotiations. The existing parts of the United Nations must have their roles strengthened and new structures must be established to put into effect the comprehensive commitments agreed to at the United Nations Conference on Environment and Development.

11. In order to effectively establish an agenda for development, the Secretary-General would have to expand the concepts contained in his report and submit a specific report on that issue at the forty-eighth session. The report should contain, inter alia, a comprehensive list of substantive themes to be addressed by the Organization in the promotion of development.

12. Turning to the issue of working methods, he stressed the need for the Committee to work in an atmosphere of genuine cooperation, such as had been achieved at the recent UNCTAD session. In recent years the Committee's paramount goal seemed to have become the achieving of consensus. While consensus was highly desirable, it should not be allowed to inhibit the Committee in its work.

13. His delegation was also particularly concerned to see that agreements were not being effectively implemented and seemed subject to constant renegotiation. The Commission on Science and Technology for Development, which had been established following a decision taken at the forty-sixth session, was a case in point. It was now being suggested that that body should be integrated with the soon-to-be-established Commission on Sustainable Development. The mandates of the two bodies were quite distinct. The Committee should focus on substantive issues rather than on procedural matters. It should concentrate in future on implementation of the agenda for development, taking into account a report to be submitted by the Secretary-General on that issue. His delegation was ready to participate in the elaboration of a brief resolution which would entrust the Secretary-General with the necessary authority to begin working on the implementation of that agenda.

14. Mr. PREDA (Romania) said that the sluggish performance of the world economy was also reflected in trade patterns. Growth in the volume of world trade had declined to 2.5 per cent in 1991, primarily because of decreasing demand for imports by industrial countries and the collapse of trade between the countries in Eastern Europe and the former Soviet Union. Prospects for improvement were darkened by the impasse reached in the Uruguay Round negotiations. A more open world trading system was of crucial importance for Romania and the other countries in transition, which needed increased earnings from trade to finance their imports and to promote sustainable economic growth. Increased export opportunities would also make their economies more attractive to foreign investors.

15. Romania was undertaking an extensive process of opening up and democratizing its political, economic and social institutions. In that process, State monopolies for domestic and foreign trade had been dismantled, trade activity deregulated and the formalities attendant upon trade activities reduced to a minimum. Steps had been taken to reduce tariff levels, to abolish import quotas and import and export licences and to remove legal discrimination between private and State-owned enterprises.

16. Romania was renegotiating its protocol of accession to the General Agreement on Tariffs and Trade (GATT), in the conviction that a successful outcome of the current Round would stimulate Romanian exports while opening its market to imports.

17. One of Romania's foreign policy priorities was to reintegrate the country in the European economic and political structures and it was therefore gratified that an agreement of association between Romania and the European Communities was to be signed in December 1992. In addition, he hoped that the forthcoming establishment of a free trade area between Romania and the European Free Trade Association (EFTA) countries, would further boost Romania's efforts to achieve a market economy.

18. Finally, he welcomed the positive outcome of the eighth session of UNCTAD and believed that the adoption of the Cartagena Commitment was a positive step towards the achievement of a healthy, secure and equitable world economy.

19. Mr. ISAKOV (Russian Federation) said that recent major events in world economic relations had included the entry of the Russian Federation and other newly independent States into the Bretton Woods institutes, the successful conclusion of the eighth session of UNCTAD and the genuine and universal endeavour to prevent the failure of the current negotiations in GATT. Common to all those events was the increasing importance attached to integration. In his view, the processes of "integrational regionalism", at both global and local levels, were not necessarily harmful, but could work together to create vast areas for integrated activities, providing the sort of firm and flexible structures essential for the global economic space of the future.

(Mr. Isakov, Russian Federation)

20. At the same time, the new arsenal of global economic relations offered an effective defence against manifestations of militant nationalism in the economic area and he stressed that, in order to be addressed effectively, national economic problems must be addressed in a manner consistent with world economic realities and the interdependence of the global economy.

21. The Russian Federation welcomed the practical implementation of the decisions adopted at the eighth session of UNCTAD, with a view to revitalizing the Conference in the context of the general reform of the social and economic sector of the United Nations. Prominent among such practical measures were the definition of the terms of reference of the re-established subsidiary bodies of the Trade and Development Board and the increased importance attached to such crucial problems as support for economies in transition, conversion of military production and interdependence of trade liberalization and environmental protection.

22. Much still remained to be done to transform UNCTAD into an effective and truly universal organization, properly tuned to the requirements of global economic development and the interests of all countries and observing a rational division of labour with other analagous multilateral mechanisms.

23. As the Russian Federation was seeking full integration in the multilateral trading system, it was endeavouring, wherever possible, to promote the stability of that system and therefore attached great importance to its participation, as an observer, in the work of GATT. He reiterated his country's readiness to join the Agreement as a contracting party and, in that connection, hoped that the current Uruguay Round would be successfully concluded. Failure of the Round might lead to a chain reaction of trade sanctions and a real threat of trade wars; if that were to happen there would be no victors.

24. The radical reform of the foreign economic sector of the Russian economy was crucial to the success of the country's overall reform process. To that end, a range of legislative and administrative measures had been implemented, with a view to liberalizing foreign economic activity and opening up the country's own economy. The remaining export restrictions - in the form of tariffs and quotas, necessitated by the persisting gap between domestic and world prices and the severe shortage of certain commodities - were gradually being lifted and steps were being taken to simplify bureaucratic procedures.

25. Similar measures had been adopted to lift restrictions and simplify procedures concerning imports, with the introduction of a single, 15 per cent import tax, from which certain foodstuffs and medicines were exempt. Imports from developing countries were taxed at lower rates, while those from the least developed countries were imported free of tax. Through those measures it was hoped to create a machinery for the regulation of foreign trade based on economic methods, primarily in the form of tariffs, which would benefit Russian commerical enterprises and their foreign partners alike.

26. Mr. BUTLER (Australia), speaking on behalf of the Cairns Group of agricultural exporting countries, said that the Group was deeply concerned that, unless an urgent solution was found to the outstanding differences, the Uruguay Round of negotiations would not come to a successful conclusion before the end of 1992. Although considerable progress had been made in recent months to resolve problems which key participants had with the agricultural package in the draft final act, political difficulties among major participants were jeopardizing the success of the Round as a whole. The negotiations could not be allowed to fail. A successful outcome was needed in order to promote global economic growth, prevent a deterioration of the world trading system and enable the restructuring and liberalization efforts already under way in many parts of the world to bear fruit. Delay in concluding the Round was already damaging the credibility of the multilateral trading system.

27. In the view of the Cairns Group, the remaining differences could be ironed out, provided that all sides demonstrated the necessary commitment, flexibility and goodwill. Members of the Group had indicated their readiness to participate in the negotiations in a constructive way in order to secure a multilaterally acceptable settlement. The key consideration remained that the outcome should contribute genuinely to trade liberalization and be consistent with the central principles and reform modalities in the draft final act.

28. Mr. JAMTOMO (Indonesia), speaking on behalf of the member countries of the Association of South-East Asian Nations (ASEAN), said that growing interdependence coupled with fundamental changes in the world economy posed many new challenges and opportunities for improving global economic cooperation. It was imperative to achieve a healthy, secure and equitable multilateral trading system. The ASEAN countries were greatly encouraged by the outcome of the eighth session of UNCTAD which had marked a turning-point towards non-confrontational dialogue and negotiation.

29. The success of the Uruguay Round of multilateral trade negotiations was vital to the economic development of the ASEAN countries and they therefore hoped that an early solution would be found to the agricultural subsidy deadlock so as to avert the danger of a trade war. A successful conclusion of the Uruguay Round with contributions from both developed and developing countries to lowering protectionism would have a major impact on the world economy.

30. As commodities were of vital importance to the economies of most developing countries, greater cooperation should be encouraged among such countries and between producers and consumers so as to promote stronger and more effective international policies on commodities. Such policies would help to improve the stability, transparency and functioning of commodity markets over the long term, generating significant benefits to producers and consumers alike while, at the same time, maximizing the commodity sector's contribution to development and international trade. In that regard, the exploratory process initiated by UNCTAD on the viability of convening a world conference on commodities should also be supported.

(Mr. Jamtomo, Indonesia)

31. The debt crisis continued to inflict serious socio-economic difficulties on many developing and least developed countries. Although the recent debt-reduction schemes represented an encouraging development, there was a pressing need to provide new approaches to find an early and lasting solution to the debt problem. To support structural adjustment programmes, poverty alleviation efforts and the promotion of sustainable development, it was imperative that resources should continue to be made available to developing countries from bilateral and multilateral sources and that such resources should be free from non-economic conditionalities.

32. The ASEAN countries had embarked on a series of measures to integrate their economies in order to support and complement the multilateral trading system. They had also adopted outward-looking economic and trade policies accompanied by extensive market-oriented domestic reforms, in order to increase external trade and investments. In an effort to accelerate economic cooperation within ASEAN and to support and complement the international trading system, they had decided to establish the ASEAN Free Trade Area (AFTA) through the mechanism of a common effective preferential tariff scheme whose ultimate objective was to harmonize intra-ASEAN tariffs between zero per cent and 5 per cent. That would in no way detract from the ASEAN countries' fundamental commitment to an open international trading system for they recognized the need to be part of the larger Asia-Pacific region and therefore were participating actively in Asia-Pacific economic cooperation (APEC) which might provide an opportunity for the Asia-Pacific region to play an important role in enhancing a free and open multilateral trading system.

33. Mr. COHEN (Israel) said that the successful outcome of the eighth session of UNCTAD would contribute to international cooperation in the field of trade and development. UNCTAD could play an important role by promoting trade policies at the regional and national levels and by creating appropriate policies that would foster sustainable trade development.

34. In the field of development, it was necessary to adopt a holistic approach that would include protection of the environment, solution of social and demographic problems and the eradication of poverty. His delegation fully shared the widespread concern about those closely interrelated problems.

35. Israel attached great importance to economic cooperation among developing countries. Far more should be done to learn from the experiences of countries that could no longer be considered to be developing countries but were not yet firmly within the group of developed countries. They included the newly industrialized countries of Asia and Latin America and also Israel - countries that had bridged the gap between the developed and the developing countries and whose particular experiences could be of relevance to other countries.

36. Concepts of integrated regional development, particularly at the rural level, were of great relevance to many developing countries. A society that was setting out to rebuild itself must place strong emphasis on structures and

(Mr. Cohen, Israel)

patterns of relationships that encouraged self-reliance, self-sufficiency and pride in achievement.

37. Israel had made considerable efforts to expand its technical and economic cooperation with other developing countries. For more than three decades, it had shared its know-how and the lessons of its own experience with 110 developing countries in such areas as farm integration, alternate energy development, literacy programmes, water engineering and irrigation, and rural and community development. Those assistance programmes were based on Israel's belief that human resources development was an essential element in the development process.

38. Technology was a key element in sustainable development and must be carefully selected with a view to adapting it to the specific needs of each country. Because of its experience in the field of technology development, Israel was in an excellent position to share its home-grown technologies and know-how with others. Such assistance could also include the establishment of infrastructure, including research and development systems, and manpower development. Israel was, as always, ready to share its knowledge and experience and in that way contribute to successful and sustainable development.

39. Mr. BRIGUGLIO (Malta) said that, in addition to the general problems faced by developing countries, island developing countries suffered numerous additional handicaps arising, inter alia, from their small size, remoteness, geographical dispersion and vulnerability to natural disasters. Since the gross national product (GNP) per capita index did not take such weaknesses into account, it was necessary to develop an index that quantified the vulnerabilities of those countries in order to give a truer picture of their economic strength. At the meeting of Governmental Experts of Island Developing Countries and Donor Countries and Organizations, held under the auspices of UNCTAD in June 1990, it had been proposed that UNCTAD should give particular consideration to a review of appropriate indicators of social and economic progress that took into account factors that related to the high vulnerability of island developing countries.

40. Following that meeting, UNCTAD had commissioned a pilot study for the preparation of a vulnerability index. The author of the study had based the construction of the index on three major criteria, namely, that the index should be easy to construct, the results should be easy to understand and the index should lend itself to international comparisons. On the basis of those criteria, a number of variables qualified for inclusion in the index. Three variables had been selected as the most important with respect to economic vulnerability, namely, exposure to foreign economic conditions, remoteness and insularity, and proneness to natural disasters. The study also discussed a weighting procedure for the composite index and a methodology for quantifying the variables.

(Mr. Briguglio, Malta)

41. One hundred and thirteen countries were ranked according to a formula utilizing data on the three variables, and the end result showed very clearly that island developing countries, especially small island developing countries, tended to be more vulnerable than other countries. The types of vulnerabilities represented in the index were not related to the degree of economic development, and many economically vulnerable island developing countries did not fare badly in terms of GNP per capita and the human development index. The results of the pilot study indicated that many island developing countries had an economy that appeared strong in terms of GNP per capita, while in reality they had an extremely fragile economy.

42. The vulnerability index developed in the pilot study could be improved in a number of areas. One deficiency of the pilot study was that it was not sufficiently operational for policies of donor countries.

43. Malta took a keen interest in issues, policies and strategies to assist island developing countries. Apart from the initiatives that the Maltese Government had taken in international forums and organizations, there was also considerable interest in academic circles, notably the Foundation for International Studies of the University of Malta. The Foundation's Islands and Small States Programme had taken various initiatives in that regard. So far, the Programme had focused on economic issues but it was altering its statute to include environmental, geographic, educational and political issues with a view to adopting an integrated approach. The aim of the Programme was to help foster an interest in the special problems of islands in order to make them more viable and less vulnerable.

44. His delegation noted with satisfaction that many international organizations were giving serious attention to the vulnerability of island developing countries. Malta supported the initiatives taken by the Alliance of Small Island States (AOSIS), and it was ready to extend its expertise and other forms of assistance for the preparation of the global conference on sustainable development of small islands, scheduled to be held in 1993.

45. Mr. GOUMENNY (Ukraine) expressed his delegation's appreciation for the Cartagena Commitment adopted by UNCTAD at its eighth session. His delegation agreed with the conclusion that "early completion of the transformation of the economies of the countries of Central and Eastern Europe into market-based ones would strengthen the emerging new partnership for development". However, such market reforms would require a skilful balance of administrative and economic regulation. Government intervention should not go beyond the bounds of essential government strategy, which included the development of commercial activity, support for small- and medium-sized businesses and the transformation of medium- and large-scale enterprises into joint-stock corporations. Ukraine was intent on privatizing external trade enterprises, creating commercial intermediaries, inviting tenders for government contracts and establishing a free economic zone. Ukraine wished to see the elimination of all barriers to external trade and hoped to join the General Agreement on

(Mr. Goumenny, Ukraine)

Tariffs and Trade (GATT). All quantitative limitations to external trade were being abolished and a national convertible currency was being introduced. Ukraine wished to base its trade relations on partnership and strict observance of agreements, and hoped to develop its economic links with the other members of the Commonwealth of Independent States, especially Russia, as well as with its neighbours to the west and south and countries of all continents. It desired civilized economic relations with all regions and hoped to end the pernicious practice of barter-based trade.

46. It was vital to enhance the effectiveness of UNCTAD. Ukraine therefore reiterated its support for Trade and Development Board decision 398 (XXXVIII). In that connection, Ukraine would be very interested in the research activities of UNCTAD, in the study and analysis of the experience of reforms in the developing countries and countries in transition regarding finance, privatization and structural reforms, particularly in external trade, as well as the holding of seminars for the dissemination of information on the possibilities for commercial and economic cooperation with those countries, including Ukraine. Ukraine welcomed the establishment by UNCTAD of the Ad Hoc Working Group on Comparative Experiences with Privatization, and hoped that the current session of the General Assembly might adopt a resolution on that issue. Priorities for UNCTAD were the implementation of resolutions on enhancement of the world trade system, research on exchange of experience regarding the creation of a modern trade infrastructure, the enhancement of customs procedures, the strengthening of trade insurance and finance mechanisms, the creation of free economic zones and the use of electronic data exchange. UNCTAD must adapt rapidly to the new political realities, and seek closer cooperation with such organizations as GATT, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD).

47. Mr. YEGOROV (Belarus) supported the view contained in paragraph 15 of the progress report by the Secretary-General on strengthening international organizations in the area of multinational trade (A/47/410). His delegation welcomed the decisions taken at the second part of the thirty-eighth session of the Trade and Development Board, including decision 398 (XXXVIII). Belarus welcomed the growing interest on the part of the United Nations and international financial and economic institutions in the processes under way in the Commonwealth of Independent States and Eastern and Central Europe, which would have a both short-term and long-term impact on world economic development.

48. The move from a centrally planned to a market-based economy was a contradictory and painful process; success would depend not only on domestic political will and social patience, but also a broad external support from bilateral and multilateral sources and sound cooperation with the United Nations and other international, economic and financial institutions. His delegation appreciated the efforts of the international community to provide technical and financial assistance. However, he hoped for serious economic

(Mr. Yegorov, Belarus)

commitments and long-term economic programmes which took into account the specific circumstances of each country. The social and economic development strategy of Belarus was aimed at integration into the international economic community while preserving and strengthening the Commonwealth of Independent States. The economic reform was designed to establish an effective self-regulatory mechanism, to create a new economic environment with various forms of ownership, and to develop enterprise and competition. New foundations were being laid for international cooperation on trade with the adoption of legislation on external trade, foreign investment, currency regulation, and the banking and customs systems, under the guidance of international expertise in order to to ensure the conformity of those laws to established international practice.

49. Mr. BUKURU (Burundi) said that protectionism was the greatest evil affecting international trade relations. Access to markets had been hampered by growing non-tariff barriers to the exports from developing countries. World Bank experts had estimated that such trade restrictions lowered the gross national product (GNP) of developing countries by an annual 3 per cent, or US$ 75 billion. The Secretary-General of UNCTAD had warned that by refusing admission to third-world products, the industrialized countries would lose a chance to increase their own exports, since the import capacity of developing countries would thus be diminished.

50. For the economic reforms of developing countries, including Burundi, to be successful, it was essential to have a multilateral trading system which was open to exports from those countries. It was strange that just as protectionist measures were on the way out in the developing countries, protectionist tendencies were increasing in the industrialized countries. Burundi had adopted a number of measures aimed at promoting and diversifying exports, including tax incentives, simplified administrative procedures and the establishment of a unique free economic zone covering the entire territory of Burundi and offering a number of tax, customs and banking advantages. However, no significant progress could be made in enhancing trade if other countries did not open their borders. His delegation was therefore concerned over the impasse which the Uruguay Round of multilateral trade negotiations had reached and urged all the parties to overcome their differences.

(b) FOOD AND AGRICULTURAL DEVELOPMENT

51. Mr. BROWN (Vice-President, International Fund for Agricultural Development (IFAD)) said that, almost invariably development programmes had almost invariably, underestimated the productive potential of smallholder farmers, landless labourers, nomadic herdsmen, artisanal fishermen and, in particular, poor rural women. Given the right support, such people could make significant contributions to food and other agricultural production at relatively low cost and with little demand on foreign exchange. In a period of limited resources for development, it was imperative to take advantage of the productive capacity of the poor.

(Mr. Brown)

52. A basic element in the struggle against poverty must be the provision of assets and economic services to the rural poor as well as the establishment of national policies conducive to stimulating the productive capacity of that sector of society. The international community must recognize that, while market forces could over time be expected to benefit the rural poor, in the short term such forces could have adverse effects, particularly in the light of the weak bargaining power of the rural poor. That must be taken into account in national policy elaboration and adjustment planning.

53. It was, first of all, necessary to understand who the poor were and what generated and perpetuated their poverty. The forthcoming IFAD publication, entitled The State of World Rural Poverty and Inquiry into its Causes and Consequences, did precisely that. The next step was to establish poverty-alleviation programmes founded on targeted investments, the reason being that market forces were usually dominated by social groups that in the past had ignored the needs of the poor. Targeting was a means of ensuring that the poor had opportunities to demonstrate their potential even as market forces influenced overall economic policy.

54. If investments were to respond effectively to real needs, those needs must be identified by the poor themselves. Tapping indigenous wisdom, combined with enlightened training, could lead to lower investment and recurrent costs, and could ensure maintenance of those investments by the beneficiaries themselves. Participation must involve community organizational efforts through which the poor could most effectively deal with government institutions and market forces.

55. Since a significant part of rural populations had little or no access to land, off-farm income-generating activities were an essential part of any rural development strategy for bringing the rural poor into the mainstream of national economic life. Whether agriculturally based or otherwise, microenterprises helped to arrest overexploitation of natural resources while promoting family income. As had been recognized in Agenda 21, poverty and environmental degradation were closely linked. However, environmental limitations could not be imposed on those who were already faced with a desperate struggle for survival. Rather, the poor could contribute to environmental sustainability only when they understood how it contributed to their own productive capacity.

56. International agencies must join forces in a new resolve, within their areas of comparative advantage, to eradicate poverty forever. The Joint Consultative Group on Policy, which included the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Population Fund (UNFPA), the World Food Programme (WFP) and IFAD, had accepted the approach of IFAD to poverty issues and was seeking new and innovative ways to bring the forces of all five agencies to bear in a coherent and consolidated manner. Other financial institutions had recognized the importance of dealing more directly with the problems of poverty and were looking to the lessons learned by IFAD.

57. Mr. CAMARA (Food and Agriculture Organization of the United Nations), speaking also on agenda item 78 (a), said that, while the global value of agricultural exports had increased in recent years, the growth of exports by the developing countries had lagged seriously behind that of the developed countries, and the terms of trade of the agricultural exports of the developing countries had declined drastically since the mid-1980s.

58. Wider access to agricultural markets was essential if agricultural exporting countries, particularly the developing countries, were to expand their export earnings. Continued high levels of protectionism seriously hampered the efforts of many countries to restructure their economies and service and reduce their debt burdens. In order to develop a more open, viable and durable multilateral trading system that would promote growth and development for the benefit of all countries, the Uruguay Round must be brought to a rapid and successful conclusion. FAO was increasing its involvement in international agricultural trade in conjunction with the Uruguay Round, and it was expected that FAO would have a key role to play in the application of the expected agreement on sanitary and phytosanitary measures.

59. A prominent feature of FAO medium-term priorities was to facilitate market-oriented agricultural policy initiatives. However, as recent events in many developing countries had shown, such reforms in isolation did not always ensure food security for all. Policy reforms geared to principles of market orientation must also be accompanied by action in other areas. It was important not to lose sight of fundamental human concerns and, in particular, the poorest segments of society. The smooth workings of market-oriented economies must be ensured not by the withdrawal of the State from all economic activity but by its efficient intervention, particularly in the area of human resources development and institutional and infrastructural improvement.

60. However, policy reforms were unlikely to be sufficient. The magnitude of the task facing many economies, particularly those of the least developed countries, would require renewed efforts to raise both the volume and the quality of international development assistance. It was a matter of profound concern that, while international trade in many commodities remained in a perilous state, official development assistance and - for many developing countries - flows of private capital were grossly inadequate.

61. Domestic and international policy reforms, and supporting action to enhance food security and restore development in the 1990s, must take full account of concerns about the degradation of the environment and the sustainability of development. FAO programmes and projects had actively addressed the technical issues involved in the fields of food, agriculture, forestry and fisheries. However, in the light of the broader concerns that had emerged, FAO had requested the United Nations to intensify interdisciplinary work to ensure integration of environmental considerations in all relevant FAO activities, give higher priority to sustainable development and the prevention of environmental degradation, and strengthen cooperation with other organizations of the United Nations system in the fields of agriculture, fisheries and forestry.

The meeting rose at 6.05 p.m.

UNITED NATIONS

General Assembly

FORTY-SEVENTH SESSION

Official Records

SECOND COMMITTEE
33rd meeting
held on
Monday, 9 November 1992
at 6.05 p.m.
New York

SUMMARY RECORD OF THE 33rd MEETING

Chairman:	Mr. GUERRERO (Vice-Chairman)	(Philippines)
later:	Mr. BALZAN (Rapporteur)	(Malta)
later:	Mr. GUERRERO (Vice-Chairman)	(Philippines)

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In the absence of Mr. Piriz-Ballon (Uruguay), Mr. Guerrero (Philippines), took the Chair

The meeting was called to order at 6.05 p.m.

AGENDA ITEM 78: DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION (continued)

(a) TRADE AND DEVELOPMENT (continued) (A/47/15, vols. I and II, A/47/312-S/24238, A/47/398 and Corr.1, A/47/410, A/47/414 and Add.1, A/47/636; A/C.2/47/3; TD/364)

1. Mr. SINGH (India) said that enhancement of the role of the United Nations in dealing with developmental issues, of which trade was one of the most important dimensions, was vital for the success of developing countries' efforts to improve the lot of their poor. Many developing countries were implementing sweeping economic reforms encompassing their trade regimes, albeit at tremendous socio-economic and political cost, in the conviction that their integration into the global economy would provide better weapons with which to fight the traditional enemies of poverty, ignorance and underdevelopment. In adopting outward-looking policies, developing countries sought to benefit from higher levels of investment and technology flows and to gain increased access to developed-country markets.

2. The trend towards protectionism in developed countries was disappointing. That weakening of the commitment to free trade was reflected in the fact that few, if any, steps had been taken to reduce the range of non-tariff barriers and the relatively high tariffs facing developing-country exports. In those circumstances, developing countries could hardly be expected to open up their own markets further or to adopt changes in their economic policies which did not take into account their stage of development.

3. Uncertainties and the threat of a trade war continued to hang over the Uruguay Round. A successful and balanced conclusion of the Round would add significantly to developing countries' export potential, particularly in the areas of textiles, agriculture and tropical products. It was thus unfortunate that those countries' concerns had been sidelined in the current impasse. If that situation continued unresolved, trends towards unilateralism, bilateralism and regionalism would become more pronounced.

4. During the Uruguay Round, his delegation had stressed the importance of the development dimension in framing the rules for the conduct of world trade. In addition to eliminating discriminatory restrictions on developing-country exports and granting preferential treatment, the rules should take into account the multitude of market distortions and imperfections facing developing-country exporters, granting them additional flexibility in the use of trade policy instruments. India attached importance to an end to restrictions on world trade in textiles and clothing, and to rapid and full restoration of application of the rules of free and non-discriminatory trade. The principle of non-discrimination must be scrupulously observed in the

(Mr. Singh, India)

development of rules of international trade. Grey areas should be brought within the purview of GATT disciplines; and anti-dumping measures - a potential protectionist tool of the future - must be eliminated. Finally, clear rules must be established for the imposition of export restrictions on high technology goods to developing countries.

5. While recognizing the importance of trade-related aspects of intellectual property rights, his delegation wished to caution against overly-ambitious standards which could suffocate innovation instead of encouraging it. Arrangements should take into account developing countries' concerns regarding development and public policy objectives. In the area of trade in services, industrialized countries should take account of the comparative advantage of developing countries, inter alia, in the temporary movement of labour for the supply of services.

6. Conclusion of the negotiations on the international code of conduct on the transfer of technology would be beneficial to all countries. The negotiations should be guided by the developmental dimension of transfer of technology. Chapter 34 of Agenda 21 contained innovative recommendations for the financing of transfers of environmentally sound technology on concessional and preferential terms which afforded a useful basis for work on the broader issue of the code of conduct.

7. Mr. BATA'ANISIA (Solomon Islands), speaking on the specific problems and needs of island developing countries on behalf of the nine members of the South Pacific Forum that were members of the United Nations (Australia, Federated States of Micronesia, Fiji, Marshall Islands, New Zealand, Papua New Guinea, Samoa, Solomon Islands and Vanuatu), said that the decision reached at Rio de Janeiro to convene the first Global Conference on the Sustainable Development of Small Island Countries in 1993 should spur efforts to identify and implement strategies to help islands develop on a sustainable basis into the twenty-first century. The Food and Agriculture Organization meeting on small island countries to be held in Apia in late 1993 would provide an important opportunity to continue that work.

8. Recognizing that small island developing States, and islands supporting small communities, constituted a special case, Agenda 21 requested international organizations to recognize the special needs of such countries, and to provide appropriate assistance as a priority. Over the years, the United Nations Conference on Trade and Development (UNCTAD) had helped to put the special needs of island developing countries on the international agenda. The report of the Secretary-General (A/47/414) showed that such countries faced a dilemma in seeking to attain sustainable development: on the one hand, economic development patterns imposed pressures on the environment, while, at the same time, preservation of environmental assets was critical to growth in key economic sectors. The report rightly highlighted the individual responsibilities of island States for achieving sustainable development. Island countries recognized the importance of putting in place effective

(Mr. Bata'Anisia, Solomon Islands)

domestic economic policies to obtain optimal use of resources. However, they were also aware of the impact of global macroeconomic trends on their open economies, and of their vulnerability to the actions of other more developed countries. The experience of the South Pacific Forum was that a concerted regional approach gave the small and relatively isolated island countries of the region a better chance to find solutions. Countries in the South Pacific had responded to environmental challenges by enhancing the role of the South Pacific Regional Environment Programme (SPREP), which played a key role in assisting and coordinating the environmental programmes of its members. South Pacific countries valued the linkages between SPREP and the United Nations system, and looked forward to their continued development in the aftermath of the United Nations Conference on Environment and Development. Effective links between SPREP and the Commission on Sustainable Development would be particularly important in that context.

9. The report noted that the changing international trading environment and the emergence of major regional economic groupings presented new threats to sustainable development. The Honiara meeting of the South Pacific Forum had recognized that more open and fairer trading conditions were a prerequisite for sustainable growth and development. The South Pacific countries thus strongly supported renewed efforts to resolve the difficulties currently facing the Uruguay Round.

10. Island developing countries were threatened by a large number of environmental scourges that could be addressed only at a global level. Climatic disruption and potential sea-level rise threatened the very existence of some low-lying atolls. Concern to avoid the catastrophic effects of climate change and to conserve the wealth of species and fragile ecosystems of island developing countries underlay South Pacific countries' commitment to the Framework Convention on Climate Change and the Convention on Biological Diversity. Freshwater resources in the South Pacific were also under threat. Recognition of the importance of those resources in Agenda 21 and the decision to prepare a convention on combating desertification and drought were thus timely.

11. Overexploitation of resources in the high seas had a devastating impact on resources within exclusive economic zones. South Pacific countries thus welcomed the decision taken at Rio de Janeiro to convene a conference to address problems relating to the conservation and management of living marine resources, since the ocean represented the major resource base for the development of many island and coastal States, especially those in the South Pacific, which had very high ratios of sea to land.

12. South Pacific countries' close interest in the current debate and forthcoming resolution on the special problems and needs of island developing countries came from the heart, for unsustainable development threatened not only the livelihood of island people, but also the islands themselves and the cultures they nurtured.

13. Mr. BORBON (Costa Rica), speaking also on behalf of El Salvador, Guatemala, Honduras, Nicaragua and Panama, said that the States of Central America attached great importance to strengthening and improving relations between the United Nations organizations and the Bretton Woods institutions, so as to enable the former to focus their activities on areas in which they had a comparative advantage. That approach had been reiterated in the High-level Segment of the most recent session of the Economic and Social Council.

14. The report by the Secretary-General of the United Nations Conference on Trade and Development (A/47/398) confirmed how firmly rooted were the various factors that had led to the current world commodity crisis, such as constant pressure for supply to exceed demand, the sharp fall in real prices of commodities, periodic deficits in the export earnings of developing countries and the increasing, or at least constant, dependence of producer countries on commodity exports on the part, as well as the need to improve management of natural resources so as to protect the environment.

15. The case of Costa Rica was typical of the predicament facing other countries of the region. In 1991, exports of bananas had represented 35 per cent of Costa Rica's agricultural exports and 25 per cent of its total exports, and had thus been the main source of foreign exchange, generating a total of $400 million. Over the past six months, along with the other members of the Union of Banana Exporting Countries (UPEB) and Ecuador, Costa Rica had expressed its opposition to the attempts by the European Economic Community to impose quotas and tariffs on imports from Latin America from 1993 with a view to protecting banana production for the Community by the ACP countries. The attempts at negotiation had culminated in a request by Costa Rica that the Director-General of the General Agreement on Tariffs and Trade (GATT) should use his good offices to seek a solution to the conflict, and, on 19 October 1992, in a final attempt by the UPEB countries and Ecuador to find a solution within the framework of the norms and disciplines of GATT. Should the European Economic Community persist in its stance, Costa Rica and the Latin American countries would face an uncertain economic future in which their development goals were jeopardized.

16. With regard to coffee, in July 1989 the International Coffee Organization (ICO) had suspended the quota system for exports of coffee beans, resorting to the workings of the free market. That unfortunate decision had led to a drastic reduction in producer prices, while the price to consumers had remained unchanged. The producer price of coffee had fallen by almost 70 per cent between 1986 and August 1992, and now stood at its lowest level for 20 years. Over the same period, the consumer price had increased. An effort was thus being made to secure a single market including both members and non-members of ICO, as a means of avoiding irregularities in the market for the product. Consideration was also being given to the possibility of re-establishing the quotas laid down in the International Coffee Agreement or regulating the market through control of surpluses. The coffee producers were seeking a joint formula on prices of coffee beans, and also considering the possibility of establishing a new international agreement, including an

(Mr. Borbon, Costa Rica)

appropriate quota system or utilizing a mechanism for holding back a significant part of exportable supply. Such an agreement would have to be supported by both coffee-producing and coffee-consuming countries.

17. The developing countries of Central America were faced with an uncertain future. The consolidation of world economic blocs would unfortunately bring with it not only benefits but also the erection of external barriers. That process could be seen in the North American Free Trade Area, the European and Asian Communities, and to some extent in Eastern Europe. Faced with that situation, where were the countries of Latin America and the Caribbean to turn? In the circumstances, they had no alternative but to join forces, overcome old divisions, build bridges and integrate systems so as to make South-South cooperation a reality.

18. Mr. BEN SADEK (Libyan Arab Jamahiriya) said that just economic relations were the only sure guarantee of effective international cooperation. Although there had been great hope that the international political developments following the end of the cold war would be accompanied by enhanced international economic cooperation, economic growth had not kept at pace with those developments. The World Economic Survey 1992 showed that despite the events of historic importance for the world economy witnessed in 1991, world output had declined for the first time since the Second World War and the economies of developing and developed countries alike had slumped. The unjust world economic situation had also continued to have a deep impact on a number of economies, particularly those of the developing countries.

19. Economic growth in the developing countries had continued to stagnate owing to protectionism, low commodity prices, the reverse transfer of resources and the worsening of the external debt crisis. Economic difficulties had been further exacerbated by the arbitrary measures taken by the developed countries for purposes of political and economic coercion. Such practices were incompatible with the provisions of the United Nations Charter and of international law, and they were contrary to the resolutions of the General Assembly and to the Charter of Economic Rights and Duties of States. There was a most pressing need for concerted efforts by the international community to halt the imposition of such measures because of their negative impact on the economies of developing countries, on international cooperation and on international trade as a whole.

20. More than six years ago, trade restrictions had been imposed on the Libyan Arab Jamahiriya and its assets had been frozen. Those measures had been successively renewed and remained in force at the present time, and their adverse impact had been increased by the measures more recently imposed on the country, which had caused the Libyan people human suffering and material harm, had lowered standards of living and had retarded growth.

(Mr. Ben Sadek, Libyan Arab Jamahiriya)

21. The implementation of economic reform programmes by the developing countries had achieved no appreciable progress in the field of development and had had many adverse economic and social consequences owing to the absence of appropriate support from the international community and the other factors that had hampered their economic growth. To establish a just and fair economic order, it was necessary to abolish customs barriers, lift economic embargo measures, release the assets of developing countries frozen in the banks of certain developed countries, abolish protectionism, improve the regulation of international commodity markets in order to mitigate the effects of price fluctuations and falling rates of trade and halt the transfer of resources from the developing countries to the developed countries.

22. The United Nations, as the major forum for the discussion of global economic problems and international social and humanitarian issues, must play its role to the full in order to promote economic and social growth in the developing countries and eliminate imbalance in the world economy.

23. Mr. McDONALD (European Economic Community) said that issues of trade and development were of particular importance for developing countries, since increased trade was one of the most effective means of attaining development.

24. The 1990s promised to be a highly challenging period. Market-oriented reforms were under way in many countries, including those in Central and Eastern Europe, and regional economic integration was spreading from Western Europe and North America through Latin America and Asia. The economic situation of the least developed countries, especially in Africa, and the quality of the natural environment both demanded increased attention. At the same time, world economic growth had been slowing for three consecutive years and only moderate recovery was forecast in the medium-term.

25. A stronger world economic recovery would raise trade growth and, conversely, stronger world trade growth would enhance the prospects for world economic recovery. Changes vital to trade and output growth in the 1990s included continuing economic reform in a broad cross-section of countries, preventing a return to high inflation rates in the industrial countries, continued liberalization of capital flows, reversing the decline in national savings rates in the major industrial and developing nations and maintaining and strengthening the open multilateral trading system, inter alia, through a successful conclusion of the Uruguay Round.

26. One encouraging aspect of the recent overall trade picture was that the developing economies, as a group, had posted export and import growth above the world average. Some of the increase in export performance was undoubtedly due to the process of domestic and economic reform and to the reduction in trade barriers undertaken by those countries in recent years. Advances in free trade agreements in Latin America would also have an important impact on the world economy. Another important phenomenon had been the change in

(Mr. McDonald)

trading patterns in Central and Eastern Europe, where some of the larger economies had made important gains in trade with the industrialized countries of the West, in particular their neighbours in the European Community and the European Free Trade Association (EFTA). The association agreements signed by the Community and those countries provided a sound basis for trade improvement and would continue to do so in the future in a progressive manner.

27. The development of trading arrangements of that kind was a positive factor in terms of the world economy. The greater integration of markets at the regional level could only stimulate trade, as long as it complied with GATT rules. The multilateral framework which it provided ensured a parallel opening of markets at the global level. For example, various stages in the development of the Community had been accompanied by a parallel effort at the multilateral level to ensure a balanced opening of trade and marketing opportunities between external and internal liberalization.

28. The increase in regional arrangements and the opening up of the centrally planned economies of Central and Eastern Europe had created concern among the developing countries about the structural adjustment that might be entailed. Such concerns were exaggerated; experience showed that regional arrangements were trade-creating and had a market-opening momentum built into them. Similarly, the former centrally planned economies' immense medium-term need for imports would benefit the world trading system.

29. The Community had also sought to meet the challenge of the developing countries, and the least developed in particular, through a series of agreements and instruments, such as the Lomé Convention, STABEX, and the Generalized Special Preference Scheme. The industrialized countries needed to make a particular effort to improve market access for developing country exports. Further progress in meeting their needs would be made in the Uruguay Round.

30. With the reforms initiated at Cartagena, UNCTAD had also embarked upon a new partnership, one built on dialogue rather than confrontation. The European Community and its member States were pleased with that development and would continue to support the reforms. With the increased focus on national policies, UNCTAD had come closer to offering practical advice that would be to the benefit of policy-makers in the developing countries. The further incorporation of the notion of sustainable development in UNCTAD's work was also welcome.

31. Ways would have to be sought to ensure that a proper balance was struck between the need for free trade and environmental protection. An effort should be made to ensure that environmental protection did not become protectionism, and there should be broad consensus on the solutions found in order to avoid unilateral action incompatible with international obligations.

(Mr. McDonald)

32. The Community was fully committed to an early conclusion of the Uruguay Round negotiations, and would continue to make efforts to achieve it. It was very concerned, however, that, if the United States Administration took unilateral sanctions on the oil seeds issue, the talks would break down. The GATT Council had recently withheld consent to the sanctions since it understood their implications for the success of the Round. It was particularly regrettable, in that context, that the United States of America had chosen to ignore that ruling.

33. The Community had made extensive efforts at internal reform in the agricultural sector and radical adjustments in the internal support mechanisms of the Common Agricultural Policy. However, it was important to maintain a balance in the Uruguay Round between all the sectors involved. The Community felt that that balance was not being struck in the GATT discussions and that more needed to be done in other sectors which were of importance to industrial and service exporters. It remained convinced, however, that the Round must not be allowed to fail. The necessary compromises must be found, with all the participants contributing according to their means.

34. Mr. CABRAL (Guinea-Bissau) said that the Cartagena Commitment heralded a new partnership in approaching development problems, especially those linked to international trade.

35. Unfortunately, the persistently negative trends that had long affected the developing countries' economies were now accompanied by signs of an emergency trade war between two important agents of international trade against the background of the still uncompleted Uruguay Round. The prospects for long-term growth and development would inevitably be compromised unless the imbalances in the major industrialized countries were appropriately dealt with, the trend towards protectionism resisted and a solution found to the urgent problems of the least developed countries.

36. It was time for UNCTAD to be given the means to fulfil the functions for which it had been established. Its role as a forum for dialogue and negotiation and as a coordinator of national economic policies must be strengthened. Bilateralism, which had sometimes seemed to offer a solution, had instead contributed to the progressive deterioration of the international trading system. The erosion of UNCTAD and GATT, which had harmed virtually all the members of the international community, had had devastating consequences for the developing countries. The new impetus provided by the Cartagena Conference must be used for the benefit of a real world partnership in building an economic order compatible with the new international situation.

37. Such a partnership was especially vital for the developing countries, given the negative impact of the adjustment programmes which most of them had been forced to undertake and the new challenges posed by democratization, in Africa particularly. The future of that continent and its capacity to play a more active role in world development would largely depend on the results of

(Mr. Cabral, Guinea-Bissau)

those policies and on the measures put into effect in that framework. After the sacrifices and changes they had already made, the developing countries had no further margin for manoeuvre. Socio-economic indicators revealed a marked decline in their economic performance and sharply deteriorating living standards, all of which put a strain on their social and political fabric.

38. Mere recognition of the trend towards increasing interdependence was no longer enough. The necessary conclusions must be drawn regarding to the political and economic decisions that needed to be taken and the measures adopted to restore confidence in the international trading and monetary systems, based on justice and the equal rights and obligations of States. A universal system of international economic security was a necessary condition for expanded cooperation.

39. The current tension in world economic affairs, aggravated by the uncertainties affecting the Uruguay Round, could be considerably mitigated by the firm implementation of the resolutions of the General Assembly, the Economic and Social Council and UNCTAD on the restructuring of international economic relations on a just and democratic basis.

40. In that connection, his delegation welcomed the encouraging message from Cartagena as well as the Secretary-General's reports on development and international economic cooperation, in particular the progress report on strengthening international organizations in the area of multilateral trade (A/47/410) and the report on the specific problems and needs of island developing countries (A/47/414 and Add.1). It hoped that the draft resolutions on trade and development, in particular those proposed by the Group of 77 (A/C.2/47/L.9, L.10 and L.16), would be adopted unanimously.

41. Mr. ALMANI (Oman) said that the end of the cold war, progress made in the settlement of regional disputes and increasing international cooperation and economic interdependence had created the opportunity to revive international cooperation for development and create better conditions for the integration of the developing countries in the world economy.

42. The eighth session of UNCTAD had represented a turning point in the history of the Organization, and its final document, "A New Partnership for Development: the Cartegena Commitment", embodied a new international consensus in the field of trade and development, emphasized the important role of the United Nations in the international trade system and laid down general policy goals for the international community. It had been agreed that UNCTAD was the most appropriate focus for coordination within the United Nations system for an integrated approach to development and to related issues in the fields of trade, finance, investment, services and technology for the benefit of all countries, in particular the developing countries.

43. The establishment of an international trading system that was coordinated, sound and non-discriminatory and that protected competition, encouraged open markets and created better conditions for the genuine

(Mr. Almani, Oman)

integration of the developing countries into the world economy provided the only chance for a balanced and positive outcome to the Uruguay Round that would take account of the interests of all parties, and particularly of the needs of the developing countries. The new international consensus would encourage cooperation among all countries as a means of increasing collective self-sufficiency and promoting sustainable development at the national, regional and world levels.

44. Mr. Balzan (Malta), Rapporteur, took the Chair.

45. Mr. PURSOO (Grenada), speaking on behalf of the 12 member States of the Caribbean Community (CARICOM), associated the Caribbean Community with the statement made by the Chairman of the Group of 77, and expressed its appreciation of the Secretary-General's report on the specific problems and needs of island developing countries (A/47/414 and Add.1).

46. In addition to the general problems facing developing countries, island developing countries had specific characteristics which adversely affected their ability to achieve sustainable development. For small island developing countries particularly, the difficulties presented by their size, remoteness and proneness to natural disaster rendered their economies very vulnerable to forces outside their control, thus bringing their economic viability into question.

47. The criteria by which the economic well-being of island developing countries was judged, however, tended to conceal their disadvantages. GNP per capita, the indicator generally used to measure the level of development of island developing countries, did not by itself adequately capture their vulnerability to outside forces nor the handicaps with which they must contend, such as high infrastructure costs, problems associated with transport and communications, limited domestic markets, great distance from relevant market centres, lack of natural resources, weak technological capacity, heavy dependence on imports, problems of fresh water supply, fragile ecosystems, outward migration and heavy financial burdens.

48. In the absence of an index that would capture those disadvantages more accurately, several island developing countries had lost financial and technical assistance because of their relatively over-rated GNP per capita ranking. That situation further frustrated and hampered their development prospects. In that connection, he commended the work being done at the University of Malta towards the construction of an index for ranking countries according to economic vulnerability.

49. Political stability was an important prerequisite for sustainable development. The member States of CARICOM were pleased with the firmness of their democratic institutions, but were deeply aware of the need for greater international cooperation to support the efforts of governments to strengthen institutional structures, combat unemployment and provide safety net

(Mr. Pursoo, Grenada)

arrangements, especially during structural adjustment. That was particularly true of small island developing countries where, in the absence of a strong private sector, Governments were increasingly looked to for the fulfilment of their people's expectations.

50. Against the background of rapid developments in the international economic environment and their fear that the countries of the Caribbean were in danger of becoming marginalized, the Heads of Government of the Caribbean Community had agreed to pursue the strengthening of regional integration. At the same time, they were seeking opportunities to bolster their relatively small, open and dependent economies against the volatile economic conditions of the 1990s.

51. The CARICOM States had thus been reshaping the Community's development thrust to take better advantage of the opportunities of the 1990s. In that context, they wished to register their appreciation of the existing agreements and arrangements which assisted their small island economies as a group. Such arrangements included the CARICOM/Venezuela Trade and Investment Agreement, CARIBCAN with Canada, the Lomé Convention with the European Economic Community, and the Caribbean Basin Initiative and the Enterprise for the Americas with the United States.

52. The export of bananas under the Lomé Convention was the single most important source of foreign exchange of several CARICOM member States. That arrangement was currently threatened by lobbies whose negotiating leverage in international forums far outweighed their own. Such concessional assistance was vital to small island developing countries, whose limited resources and intrinsic disadvantages left them very few economic development options in the short and long term.

53. The fragile ecosystems of island developing countries were under constant threat from environmental degradation. Their coastlines, and sometimes entire islands, were in danger of submergence from rising sea levels due to global warming. Most island countries of the Caribbean relied on tourism for foreign exchange. Given the importance of the environment to that sector, even a minimal deterioration could have a severe negative impact on the total economy. Those countries were deeply concerned over their inability to monitor the marine environment effectively and to analyse the effects of changes. That lack of capacity deepened their dependence on external sources for cooperation and assistance in preserving and protecting their ecosystems.

54. The member States of CARICOM expressed their appreciation to the donor countries, organizations and bodies within and outside the United Nations that had recognized and responded to the special needs of island developing countries. They also expressed appreciation to the Secretary-General of UNCTAD for his initiative in convening the July 1992 meeting of the expert group on island developing countries.

55. Mr. Guerrero (Philippines), Vice-Chairman, resumed the Chair.

56. Mr. KARSLIOGLU (Turkey) said that it was universally agreed that free trade was essential for the healthy development of the global economy. In practice, however, free trade had remained difficult to attain.

57. The sluggish economies of the developed countries and the difficult transition of the European centrally planned economies to a market system had had an adverse effect on the world economy. At the same time, falling commodity prices and massive foreign debt, combined with structural problems, had continued to hamper the economic growth of the developing countries.

58. Despite the unfavourable international environment, Turkey had been able to press on with its structural adjustment policies. It was currently pursuing a determined process of privatization. It was well aware that, to achieve a healthy economy with adequate growth, integration with the world trading system was essential. It was also aware that that system must be healthy and growing for the benefit of all. It was still hopeful that the GATT negotiations would be successful. At the current stage, nothing could be more damaging than a trans-Atlantic trade war.

59. In 1992, Turkey had taken great strides in establishing closer trading links with EFTA. Its trade relations with its chief trading partner, the European Economic Community, had also continued to develop and its objective was to establish a customs union with the Community during the 1990s.

60. Turkey had also been making an effort to assist the newly independent States in the Caucasus and Central Asia to integrate with the world trading system following the break-up of the Soviet Union. Aware of its responsibilities in the region, Turkey was also seeking to promote greater cooperation among the countries of the Black Sea basin. It was confident that the Black Sea Economic Cooperation Organization would become an important example of regional cooperation. The new body, established in June 1992 by the Heads of State of Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Republic of Moldova, Romania, Russian Federation, Ukraine and Turkey, aimed to strengthen the trade ties of those countries with one another and the rest of the world. By encouraging trade among its member States, most of which were undergoing a painful period of transition, Turkey was facilitating enhanced trade links with other countries and trading groups. It was convinced that economic cooperation would contribute to peace and security.

61. In the same vein, Turkey had been encouraging the expansion of the Economic Cooperation Organization, currently grouping Azerbaijan, the Islamic Republic of Iran, Pakistan, Turkmenistan, Uzbekistan and Turkey, to the other newly independent Central Asian republics.

62. His delegation was convinced that vigorous growth and sustained development could be strengthened by free international trade and a substantial reduction of tariffs. Such policies would help the developing countries more than financial aid.

Draft resolution on assistance to Yemen (A/C.2/47/L.11)

63. Mr. AHMIA (Algeria) said that Costa Rica, India, Nepal, Sri Lanka and Viet Nam had joined the sponsors of the draft resolution on assistance to Yemen.

The meeting rose at 7.30 p.m.